

# NAVAL POSTGRADUATE SCHOOL MONTEREY, CALIFORNIA



## THESIS

**DRAGON IN THE SHADOWS:  
CALCULATING CHINA'S ADVANCES IN THE  
SOUTH CHINA SEA**

by

Michael William Studeman

March, 1996

Thesis Advisor:

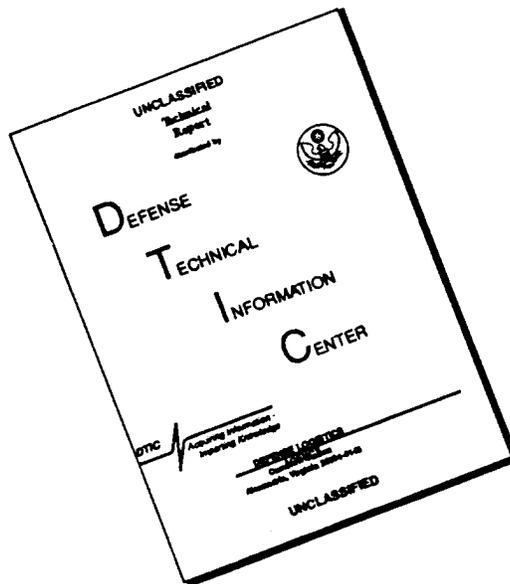
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CALCULATING CHINA'S ADVANCES IN THE SOUTH CHINA SEA**

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Submitted in partial fulfillment  
of the requirements for the degree of

**MASTER OF ARTS IN NATIONAL SECURITY AFFAIRS**

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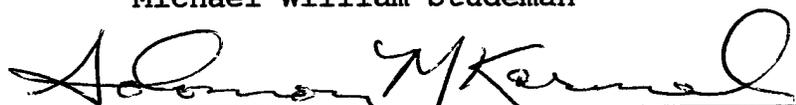
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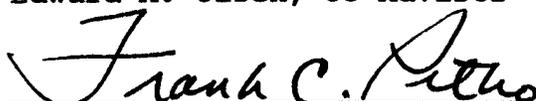
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## ABSTRACT

The dispute between at least six riparian nations over jurisdictional rights to large tracts of the South China Sea continues to reign as one of the most likely flashpoints in the Asia-Pacific theater. The intentions of the chief protagonist in the conflict, China, will in large measure determine whether this dilemma will be resolved peacefully or violently. Relying on three case studies that focus on China's takeover of the Paracel Islands in 1974, its occupation of six reefs in 1988, and subsequent reef-hopping incidents in 1992 and 1995, this study highlights the conditions under which China expanded its presence in the South China Sea. Based on emerging trends, this thesis asserts that resource competition will most likely spark future violence in the South China Sea, and that domestic pressures within China commit Beijing to a course of hard-shell revanchism. At the same time, regional sensitivities to Chinese "hegemony" and the correlation of military forces that weakly favor China suggest China will strive to avoid or contain a conflict over the near term. By profiling the character and timing of past Chinese "aggression" in the South China Sea, this thesis also exposes the strategems by which Chinese armed forces have pursued national objectives in the region.



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## EXECUTIVE SUMMARY

Based on emerging regional economic trends, this thesis asserts that resource competition will be the most important factor sparking future conflict in the South China Sea. Faced with prospect of having to feed a burgeoning populace and fuel its modernization drive, China has a deep and abiding interest in controlling and exploiting the maritime treasures of the south. The most likely flashpoint over the short-term is the sea zone in the extreme southwest corner of the Spratlys, where Vietnam and China have established overlapping petroleum exploration concessions. Tensions between these two antipodes over ownership of large swaths of the South China Sea persist and it is very conceivable conflict may follow discovery of commercially viable quantities of oil or natural gas in that area.

Domestic pressures within China also commit Beijing to an uncompromising position on the issue of sovereignty over disputed islands in the South China Sea. As nationalism replaces communism as a unifying force in China, it becomes increasingly more difficult for political leaders in Beijing to negotiate away territory for peace or profit. China's senior decisionmakers are willing to assure its neighbors that the sovereignty issue will be shelved, but in reality these statements represent more froth than substance. Chinese leaders cannot permit any section of its former empire to be sliced away from the "sacred motherland" without evoking images of past imperial exploitation.

Additionally, the most powerful entity in China, the PLA, has a significant stake in maintaining control over the South China Sea, primarily because operations there afford a budget justifying mission for the navy and air force. The Spratlys serve as the guiding image for the PLA to acquire long range aircraft, aerial refueling platforms, airborne

early warning systems, more capable submarines and perhaps even carriers. As the older generation of revolutionaries passes and weaker replacements surface to power positions, the PLA's influence over its political "masters" correspondingly increases, with obvious implications for continued expansionism to the south.

In the wake of China's occupation of Mischief Reef in early 1995, which most ASEAN nations perceived as an act of aggression, Beijing has been forced to be more circumspect in its actions in Southeast Asia. Regional sensitivity to Chinese "hegemony" has heightened. ASEAN's anxiety has been manifest in their efforts to upgrade the capabilities of their respective armed forces.

In truth, China probably views ASEAN's present concerns as only a temporary setback to its long-term plan to gain control of the islands and reefs of the South China Sea. The PLA probably will continue to comport itself with the same conservatism that has marked its previous movements in the South China Sea. Because the correlation of military forces weakly favor China, the PLA probably will continue to be extremely cagey in its probings and occupations to the south. This dynamic will not be significantly altered in the near term, especially in light of the growing military strength of many ASEAN nations.

Given the volatility of this issue and the ramifications of conflict impinging on freedom of the seas, the United States maintains a keen interest in facilitating a peaceful resolution to the South China Sea dilemma. In this endeavor, the U.S. must be very careful to avoid appearing a puppet master of ASEAN. As long as China continues to perceive U.S. actions as attempts to contain a China "standing up," hard-line conservatives will retain authority in Beijing. With this danger in mind, the U.S. should consider encouraging sales of second tier military equipment such as intelligence

systems and remotely piloted vehicles (RPV) to Southeast Asia. Transferring non-lethal hardware is less destabilizing than high-tech weaponry and may better equip our friends in the region to thwart China's creeping irredentism.

In the short run the prognosis for regional stability is good. Based on past patterns China probably will strive to avoid or contain a conflict. An overaggressive PLA will only prompt China's neighbors to form deleterious alliances against Beijing. One ought not overestimate China's beneficence, however. China is committed to winning rights of ownership and economic exploitation of the region, and it is prepared to play the long game or wait for windows of opportunity to open to achieve that objective.



## I. INTRODUCTION

Territorial disputes centered in the South China Sea rank among the top three potential flashpoints in the Asia Pacific theater.<sup>1</sup> Competing interests and claims in this region have created friction analogous to the destructive power of shifting tectonic plates that line the bottom of the sea floor. Disagreement between the six contending nations over the scattered buckshot of islets, reefs and shoals which comprise the Spratly Islands has not been constrained to diplomatic feuds. Military conflict has flared in the past and is very likely to occur anon, with the same destructive and destabilizing consequences for regional security in Southeast Asia.

By virtue of the aggregate military, economic and political weight of China, coupled with Beijing's hard-line stance on the prickly issue of territorial sovereignty, China is a clear protagonist in the South China Sea drama. China's adamancy in claiming large tracts of the South China Sea leaves little room for diplomatic maneuvering or political settlement on the subject. In an era of economic imperatives, the oil, mineral and fishing potential of the region has a distinctive allure to all claimants, especially China, which must come to terms with feeding an ever growing populace and meeting the petroleum needs of its burgeoning industries. Acknowledged as a vital national interest, the Spratly Islands has also become one of the main foci of the Peoples Liberation Army (PLA), which has used the issue to justify increased expenditures on power projection forces. Indeed, the Spratlys dispute is portrayed as the classic low intensity conflict China must be prepared to confront in the future. Beijing now views the Spratlys as a vital and strategic southern

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<sup>1</sup> U.S. analysts concur the other likely flashpoints are Korea and Taiwan.

maritime frontier, the contest for which stands as a test of China's ability to reemerge as a great power participant in regional and world affairs.

As the PLA's military strength waxes in the form of expanding blue water capabilities, so too reduces the confidence of ASEAN that peaceful means will be employed to settle the sovereignty issue. Facing uncertainty, ASEAN nations have begun to channel their economic success into military power. A classic security dilemma--whereby arms purchased for defense are construed as offensive, resulting in a general condition of counter-arming--may be at hand, a situation that may spiral into a destabilizing arms race.

The nations which border the South China Sea are not the only concerned parties. The United States and Japan have important economic and security interests at stake, not the least of which is ensuring freedom of navigation through this high-trafficked area. Secretary of Defense Perry stated in Beijing in October 1994 that the "peaceful settlement of contending Spratlys claims is exceedingly important because military action there could upset regional stability and threaten the sea lines of communication." Almost eighty percent of Japan's oil needs flow from the Middle East and Indonesia through the South China Sea.<sup>2</sup> Understanding the full extent of China's tactics and intentions, and the triggers which set Chinese gunboats in motion, will be key to constructing preventative policies that cut any fuses before they are lit.

One of the main themes of this thesis is that China's actions in the South China Sea demonstrate a motivational pattern, summarized as a growing desperation by Beijing to control the potentially rich resources of that region. While strong assertions of sovereignty form the backdrop to China's claims and nationalism spurs Beijing to defend its rights there, sensitivity

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<sup>2</sup> "South China Sea Reference Book," United States Pacific Command, Strategic Planning and Policy Directorate (Fall 1994), 11.

to resource encroachments and a growing fear of economic dependency has emerged as the primary determinant of China's willingness to physically assert itself in the South China Sea.

To support this position, the thesis will draw upon a number of historical cases to discover correlations among different variables that might prove to be of causal significance for China's overall strategy in the South China Sea. The case studies to be examined include China's military action in the Paracels in 1974, and advances in the Spratlys in 1988, 1992, and 1995. This work will then identify through controlled comparison the conditions under which China has taken action to project its influence and control over key territories in the South China Sea.

Another motif of this work revolves around the character of the PLA's advances. Identifying patterns in the tactics and timing of PLA operations should serve to sensitize U.S. decisionmakers and navy planners to the true nature of Chinese stratagems and warfare intentions. Toward that end, the techniques by which China physically appropriated territory in the South China Sea are closely examined. By identifying the set of circumstances under which China has employed force to advance its claims, and highlighting the manner in which it has done so, U.S. actors will be better equipped to understand and perhaps influence future Chinese behavior before a low-level crisis in the region escalates to deleterious open warfare. Also, U.S. policymakers will gain a better appreciation for the type of technology sales to Southeast Asia that could intensify or temper local tensions.

The difficulty in resolving the South China Sea dilemma has been compared to disentangling a Gordian knot. According to prophecy, a knot tied by Gordius, ancient king of Phrygia, was to be undone only by the person who was to rule Asia. It was eventually cut, rather than untied, by Alexander the Great. As I will show, in modern Asia China would prefer to undo the knots around the South China Sea without engaging in violence, and is prepared to poke at the problem for decades.



## II. HISTORICAL FRAMEWORK

### A. BACKGROUND

The South China Sea is littered with hundreds of islands, islets and reefs that, until the last century and a half, were deemed almost without value. The notion that nations would be willing to contemplate war over these flecks of land would have astounded even fishermen of old, who after pulling from the sea cuttlefish, trepang or black tuna would land on the exposed outcroppings to dry their catch and nets in the sun. Certainly, some of the islands in the South China Sea were more valuable than others, particularly where sea turtles, guano and perhaps sunken ships could be found. But to pre-19th century seafarers the low-lying islets and atolls were orbited by vicious shallows, tidal drifts, moving sandbars and unpredictable and violent storms. Chinese travelers from the 12th and 13th centuries saw the South China Sea's many islands and banks as navigation hazards to be avoided. Tramping along the coast from port to port was the preferred avenue of trade for coastal merchants.

The four main danger zones to ships traversing the South China Sea (ironically, the same regions coveted today) were Pratas Island and its adjacent reef, the two archipelagic groups (Crescent and Amphitrite) that compose the Paracel Islands, Macclesfield Bank,<sup>3</sup> and the mosaic of 400 islands, reefs, banks, shoals and cays that make up the Spratlys.<sup>4</sup> (See Figure 1.)

Attempts to establish sovereignty over the formerly uninhabited archipelagos in the South China Sea is a modern phenomenon. Today China is the most adamant of claimants, but for

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<sup>3</sup> Macclesfield Bank is totally submerged.

<sup>4</sup> Only 26 features in the Spratlys are above water at high tide and only seven exceed an area of one half square kilometer.

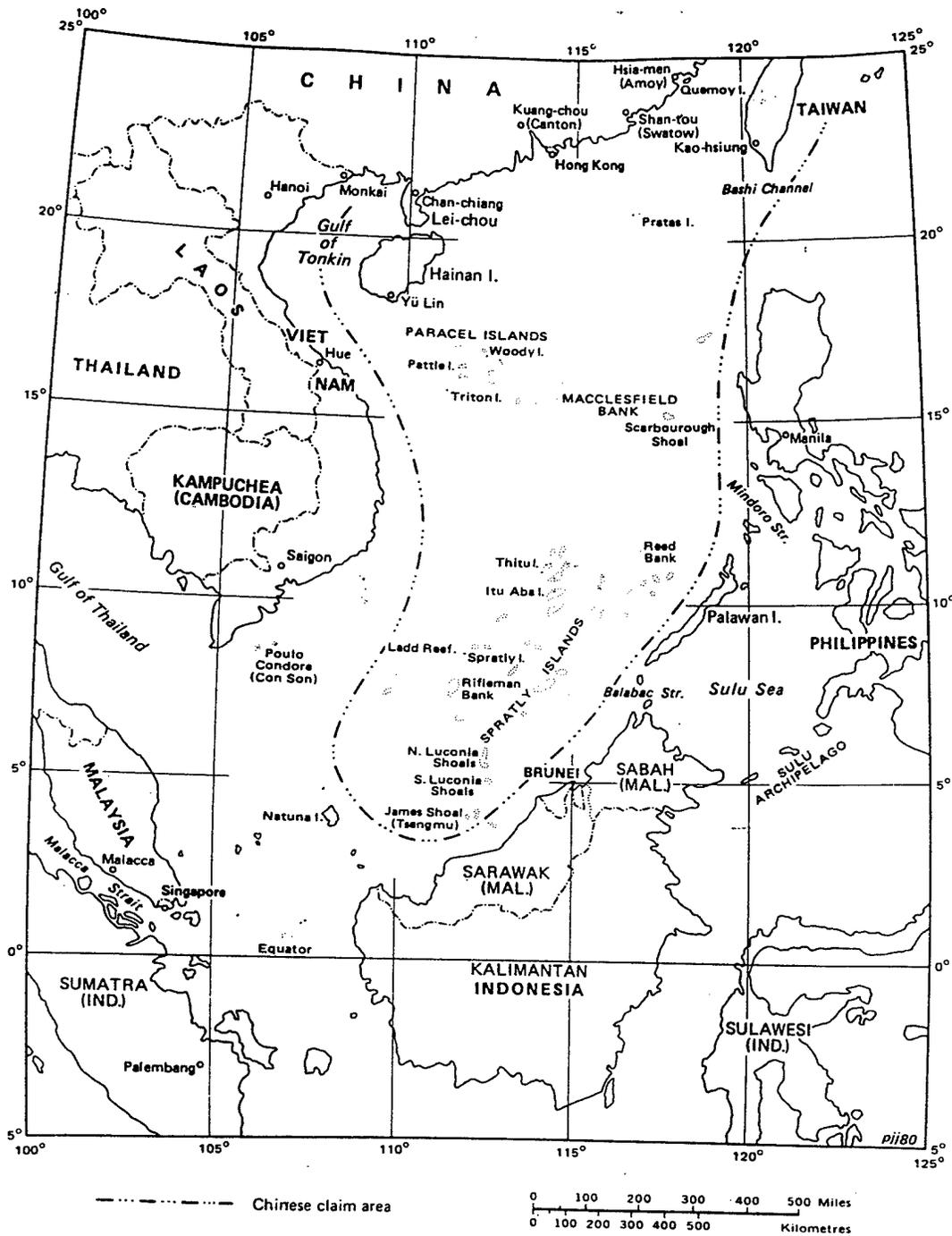


Figure 1. Orientation Map of South China Sea (From Ref. Marwyn Samuels *Contest for the South China Sea*)

thousands of years the Chinese saw the uninhabited cays and shoals as places off the map, zones beyond civilization. Because Chinese emperors viewed sovereignty strictly in terms of dominance over lesser social organizations, they demanded loyalty and tribute from distant subjects populating the continent; they sought rulership over neighboring societies, places occupied by humans.<sup>5</sup> China expressed no desire to control or possess barren, peripheral territories until western encroachments, beginning with the Opium War in 1839, shocked China into a new awareness of its geographic vulnerabilities. Likewise, because the islands held marginal economic value, few other Southeast Asian states made any effort to secure clear title to them by means of occupation before this time either. As one contemporary scholar satired, "Until World War II, the islands in the South China Sea were only worth their weight in guano."<sup>6</sup>

The littoral states perched on the South China Sea were gradually awakened to the porousness of their borders during prolonged periods of victimization by foreign powers during the colonization era. But not until after World War II did most cultures possess the wherewithal to defend themselves against foreign incursions. By then, the strategic value of offshore territory in the South China Sea was transparent. Prescient Chinese officials had come to view the Paracels as important to the defense of its southern perimeter as early

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<sup>5</sup> Marwyn S. Samuels, *Contest for the South China Sea* (New York: Methuen, 1982), 51.

<sup>6</sup> Stewart S. Johnson, "Territorial Issues and Conflict Potential in the South China Sea," *Conflict Quarterly*, Vol. 14, No. 4 (Fall 1994), 29.

as the 1870s.<sup>7</sup> An official Chinese military commission sent to the archipelago in 1928 assessed, "In the event of war breaking out suddenly, the [Paracel] islands could be used to sever the shipping lanes between Singapore and Hong Kong."<sup>8</sup> Moreover, Japan's use of the Paracels and Spratly Islands as maritime control and jumping off points for invasions of Indochina and the Philippines during World War II reinforced the military utility of the islands.<sup>9</sup> The history of exploitation from the sea crystallized the notion among Asian regional leaders, especially China and Vietnam, that they must not be soft on the issue of territorial integrity. A 1958 *Peking Review* statement best captured China's rigidity, then and now:

[China] will never allow others to invade or occupy our territory whatever the pretext. The South China Sea Islands are China's sacred territory. We have the duty to defend them and build them up.<sup>10</sup>

## **B. THE EMERGENCE OF REGIONAL RIVALRY**

Given the relative remoteness of the offshore islands and the ease with which the issue of ownership was periodically marginalized by claimants faced with competing and usually more pressing priorities, it is no wonder the history of occupation and control over the archipelagos,

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<sup>7</sup> China's ambassador to Britain stated the Paracels belonged to China in 1876, providing the first evidence of China's intent to annex the archipelago.

<sup>8</sup> Samuels, 59.

<sup>9</sup> Itu Aba in the Spratlys, for example, became an Imperial Japanese Navy surveillance post, submarine replenishment station and supply depot.

<sup>10</sup> *Peking Review* (September 18, 1958), 21.

particularly the two most contested areas of the Paracels and Spratlys, is checkered. Ownership of islets changed hands incidentally over the last century as various regional and extraregional actors exerted influence over the maritime expanse.

An understanding of the present controversy does not, however, require excessive historical elaboration. For our purposes it will suffice to describe the most significant events in the South China Sea saga following World War II. Indeed, it is in the postwar period that the regional rivalry between Asian states over the South China Sea begins to intensify. The gradual deflation of colonial influence, coupled with Asia's heightened sensitivity to territorial integrity, began to create friction on the fringes of newly minted nation-states, whose leaders aimed to repatriate "lost" territories and redefine and secure borders based largely on historical precedence. Jurisdictional rights were most ambiguous in the maritime regime.

To set the scene, after 1950 the People's Republic of China maintained its hold over the eastern half of the Paracels, Taiwanese forces controlled Pratas Island, and South Vietnam inherited the western half of the Paracels and several islands in the Spratlys from France in the mid-1950s. This fragile coexistence was briefly interrupted in 1956, when a Philippine businessman staked a claim to a host of unoccupied islands in the Spratlys group. This direct challenge to the status quo lifted the sluice gates to the sovereignty issue, and led to a heightened awareness of all rival claimants to perceived or actual encroachments in their claimed zones.

Over the next two decades, China, the Republic of Vietnam and the Philippines verbally clamored over territorial rights to the distant sandy shards. The ability of these states to reinforce their claims by projecting

maritime power was relatively weak, however. Adventurism in the South China Sea, particularly during the 1950s and 60s, was also curbed by geopolitical exigencies and various degrees of domestic instability. In fact, the only party with a strong physical presence in the contested Spratlys zone prior to 1970 was Taiwan, which permanently stationed troops on Itu Aba, the largest island in the Spratlys archipelago, beginning in 1956.

Surprisingly, Beijing was content to ride on Taipei's commitment in the region--a tacit understanding existed between the two entities that ROC forces would uphold greater China's sovereignty over the entire sprinkling of rock, coral and sand. Loosely united against potential challengers, the two China's probably believed their claim was watertight, for under the 1958 Territorial Sea Convention, legal jurisdiction over an archipelago was accorded to the occupant of the largest island in the grouping.<sup>11</sup> China's argument that it possessed unquestionable autonomy over the region based on centuries of exploration and exploitation and historic "administration" of the islands appeared uncontested, especially in light of legal definitions of ownership at the time.

China's presumed dominion over the South China Sea islands experienced new shocks in the early 1970s as the intrinsic strategic and economic value of the islands became more apparent. Taking advantage of a China distracted by the throes of the Cultural Revolution, rival claimants started to methodically absorb fragments of the Spratlys into their boundaries. Desperate to find viable domestic sources of petroleum, both Vietnam and the Philippines began to occupy and bolster defenses on the major islands in the Spratlys--

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<sup>11</sup> Alas, among the claimants to territory in the South China Sea only Malaysia ratified the 1958 Territorial Sea Convention.

each occupied six by 1973. Vietnam justified its actions and claims by citing historic use, recognition by third parties, "administration", and succession to French rights in the area.<sup>12</sup> The Philippines asserted that rival claims had lapsed by abandonment<sup>13</sup> and referred to the San Francisco Peace Treaty of 1951, where Japan renounced its title to islands in the South China Sea without naming heritors. Manila claimed over 50 features in a well-defined geographic polygon called Kalayaan,<sup>14</sup> and defended its expansion by citing history, indispensable need and proximity. Within a decade Malaysia and Brunei also joined the fray: the former occupied the first of three reefs in the disputed zone in 1983, and the latter claimed a single reef in the mid-1980s that overlapped its Exclusive Economic Zone (EEZ).<sup>15</sup>

Talk having turned to take, China came to the conclusion it would have to apply force to strengthen its hand in a region where its presupposed influence was rapidly deteriorating. The possibility that China's strategic position was on the backslide, and that this negative trend was being induced by the likes of Vietnam, spurred it into

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<sup>12</sup> Of note, Vietnam explicitly repudiates PRC ownership by calling the South China Sea the "East Sea."

<sup>13</sup> The Philippine argument of *res nullius* is significantly undercut by Taiwan's occupation of Itu Aba since 1956.

<sup>14</sup> The Philippines, along with Malaysia and Brunei, have clearly delineated their claims by publishing maps with boundary lines cutting through or around the Spratlys. To this day, Vietnam and China have not specified the precise boundaries of their claims to vast areas of the South China Sea.

<sup>15</sup> Malaysia and Brunei's claims are largely a function of the 1982 U.N. Convention on the Law of the Sea, which gave riparian states a 200NM Exclusion Economic Zone and control over sea and mineral resources out to 350NM provided a state's continental shelf extended that far from shore.

action. Equally compelling, after experiencing a "century of shame" China could not abide further perceived raping of its lands. The measures China was able to employ in responding to these challenges are the subject of the following chapters.

### **C. CHINA'S STRATEGIC CULTURE AND MILITARY STYLE**

Any study pertaining to China, particularly where military matters are concerned, must in the beginning make clear China's strategic outlook and tactical mindset. General assertions outlined below attempt to capture the essential elements of Chinese thought that may throw light on our understanding of China's strategems in the South China Sea. The review will serve as a primer for analysis of case studies that follow.

In the broadest context, China's primary strategic aim is to establish and maintain order and unity of the nation. The ability of Chinese leaders to maintain harmony continues to be the critical test of an "empire's" magnitude, eminence and durability, and is the ultimate determinant of the regime's legitimacy. A government charged with ensuring stability and peace did so by striking a balance, or "golden mean," between excessive force and undue weakness. A key element in this philosophy is the idea that the empire must avoid overextending itself and thereby collapsing into chaos.

The traditional Chinese game called *weiqi* or "Go" best illustrates the character of Chinese strategy when transformed into action. The game is composed of a series of simple moves for clear objectives. Players take turns arranging black or white stones on a 19-by-19 square board so that they enclose the greatest area possible. Despite its simplicity, the game is one of the most complex in the world. The most adept players think both offensively and defensively. The winner in a game usually takes only

slightly more territory than his opponent, and any attempt to completely destroy a skilled adversary or take excessive risks will ordinarily lead to failure. Additionally, the four corners of the game board are strategically more significant than the center.<sup>16</sup>

The strategies of Go parallel China's military style. The ideal military commander is one who possesses an ability to pursue "security objectives" for a long period of time without wavering, while constantly reassessing their value compared to other objectives that emerge. (Whereas Western strategists generally make calculations based on linear time separated by decades, Chinese strategists view the world in time cycles that may span centuries and even millenia.) Attaining China's strategic goals may entail taking many small steps over an extended period of time. Put another way, the Chinese are culturally and psychologically prepared to administer the "death of a thousand cuts" to achieve their aims. This focus on minutiae means the Chinese also have a tendency to overemphasize the meaning of small events which they think may signal a shift in extant power balances or relationships. On the positive side, China's long view enables it to select the most opportune moments to move toward their objectives.

According to Chinese tradition, the ideal military commander also tries to pursue victory with minimal destruction--in fact, the apex of skill is to defeat any opponent without fighting. In the words of Sun Tzu:

Those who are skilled in executing a strategy bend the strategy of others without conflict; uproot the fortifications of others without

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<sup>16</sup> *An Introduction to Go: Rules and Strategies for the Ancient Oriental Game* (Tokyo: Ishi Press, 1988); Karl Baker, *The Way to Go* (Tokyo: Ishi Press, 1988).

attacking; absorb the organizations of others without prolonged operations.<sup>17</sup>

The Chinese eschew large-scale violence where they can prevail through strategem, surprise, deception or maneuver. Chinese military strategists prefer indirect methods of war and are careful to avoid taking immoderate risks. What is more, the fear of imperial overstretch means Chinese leaders will be chary about projecting power where an enemy possesses equal or superior strength.<sup>18</sup> The ideal victory is one achieved quickly and decisively before an enemy can react, and before the campaign becomes a drain on the state's resources.

The notion that power can develop on the fringes of the gameboard also highlights China's perennial concern over the vulnerability of its border areas. In fact, China's focus on developing power projection forces can be viewed as a function of its age-old desire to maintain freedom of action in these peripheral regions. According to one expert on China's military style "What the Chinese sought to create was an environment in Asia in which they would be able to maneuver as they liked from a position of recognized superiority."<sup>19</sup> This desire to prevent hostile centers of power from infringing on China's "space" is one of many factors which help explain Beijing's obdurate stance on

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<sup>17</sup> Sun Tzu, *The Art of War*, trans. R.L. Wing (New York: Doubleday, 1981), 16. Sun Tzu also wrote, "For to win a hundred victories in a hundred battles is not the acme of skill. To subdue the enemy without fighting is the acme of skill."

<sup>18</sup> Chen-Ya Tien, *Chinese Military Theory* (New York: Mosaic Press, 1991).

<sup>19</sup> W. Frieman and J. J. Martin, "Chinese Military Style," Technical Report prepared for the Office of the Secretary of Defense (Washington D.C., April 30, 1991), 28.

ownership of seemingly meaningless territories in the South China Sea.

Like the game of Go, the principles of warfare highlighted above provide a starting point for understanding China military style. To be sure, they are not a set of strict rules or formulas to which the modern Chinese army has always adhered. The Chinese army under Mao violated many traditional warfare precepts. The Korean War, for example, was a testament to Beijing's willingness to send waves of PLA soldiers across the Yalu to fight and die against superior odds. While one could also assail the proposition Beijing possessed long-sightedness in the postwar period, on balance one can detect traces of China's traditional warfare style in their military actions over the last four decades. Attacks against India in 1962 and Vietnam in 1979, and support for Vietnam against U.S. forces in the 1960s, for instance, were all limited in time, scope and space, and were accompanied by a broader diplomatic campaign. These clashes were not precipitated by an imminent invasion of China; PLA operations mainly aimed at reducing constraints on China's freedom of action. China also forswore ultimate violence to solve these problems (Beijing declared it would never fire nuclear weapons first). Moreover, in the face of superior Soviet forces along its disputed northern border, Beijing systematically avoided "punishing" its rival.<sup>20</sup> Unwilling to pit inferior Chinese forces against the might of the Russian Army, Mao adopted contingency plans to absorb rather than confront Russian forces. Mao's guerrilla-type strategy of trading land for time harkens back to ancient conceptions of withdrawing or waiting when one's army is weaker than an opponent's.

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<sup>20</sup> Most Chinese scholars consider the PLA's early 1969 border attacks against the Soviet Union as irrational acts traceable to the excesses of the Cultural Revolution.

This cursory review of China's military style and strategic culture was intended to give shape and context to the case studies under examination. With this cultural backdrop in place, the next several chapters will narrow down with greater specificity the military and political conditions under which China resorted to military action to advance/defend its claims in the South China Sea. It should become evident as the case studies unfold that China's approach to "recovering" territory in the South China Sea reflects a continued awareness of the ancient, and perhaps immutable, principles of warfare laid out by Chinese strategists centuries ago. Though China's tradition is almost exclusively a continental one, Chinese maritime strategy in the twentieth century has generally cohered to age-old warfare theories.

### **III. CHINA OUSTS VIETNAM FROM THE PARACELS**

This chapter examines the first of three case studies intended to illuminate the military and political conditions under which China resorted to the use of force to achieve its objectives in the South China Sea. The case studies are formatted similarly. They begin with a short description of tension-building events leading up to conflict, a review of the actual fighting, evaluation of the PLA's tactical performance with regard to its adversary, and lessons the Chinese may have learned from these encounters. For the sake of cogency, the chapters devoted to the case studies intermix military and political developments along a linear timeline. To ensure historical continuity, the evolution of the PLA's naval development is laid out, as are significant transformations of the international political system. The next three chapters lay the factual groundwork for additional analysis of economic and domestic variables pivotal to a comprehensive understanding of China's motives for advancing southward.

#### **A. CASE STUDY I**

##### **1. Background**

The clash in the Paracels in 1974 was ostensibly precipitated by a bold and all-encompassing claim to the Spratly Islands by South Vietnam in September 1973. Saigon consolidated its authority over the Spratlys by incorporating the Islands into the administrative system of the Republic, and then sent hundreds of troops to Spratly and Namyit Island, two of the largest islands in the Spratlys archipelago. Four months after the formal annexation, China denounced Vietnam's decree as a "wanton infringement of

China's territorial integrity and sovereignty,"<sup>21</sup> and formally reasserted its claim over all the islands and resources of the South China Sea. In early January 1974 Beijing threatened Saigon with military action if its forces were not withdrawn from the Spratlys. From 11-15 January 1974, Chinese forces underscored its *en toto* claim by planting flags on several islands in the western Crescent Group of the Paracels (see Figure 2), which were lightly defended by Republic of Vietnam (RVN) troops. In response, Vietnam naval units were ordered to the Paracels to reinforce RVN holdings there. Claiming RVN naval units harassed and killed Chinese fishermen-militia working in the area, China also dispatched a naval task force to the area.<sup>22</sup>

Over the next four days, RVN naval units operating around the five main islands in the Crescent Group became increasingly hostile to Chinese vessels in the area. Vietnamese frigates repeatedly attempted to muscle Chinese vessels out of the area and even tried to ram one Chinese fishing boat on 16 January. On January 19, People's Liberation Army (PLA) troops landed on Duncan Island and forced a small RVN contingent to withdraw. This skirmish rapidly escalated into a naval engagement as RVN combatants became more desperate to repel the Chinese.<sup>23</sup> During the ensuing fracas an RVN escort ship (probably a corvette) was sunk and the three Vietnamese frigates were damaged. Chinese

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<sup>21</sup> Alan J. Day, ed., *Border and Territorial Disputes*, second edition (Longman Group UK Ltd, 1987), 376.

<sup>22</sup> Samuels, 100-103.

<sup>23</sup> An hour after RVN troops were repulsed from Duncan Island, an RVN frigate reportedly tried to ram a Chinese minesweeper. Two hours later, all four South Vietnamese ships opened fire on the PLAN units in the area.

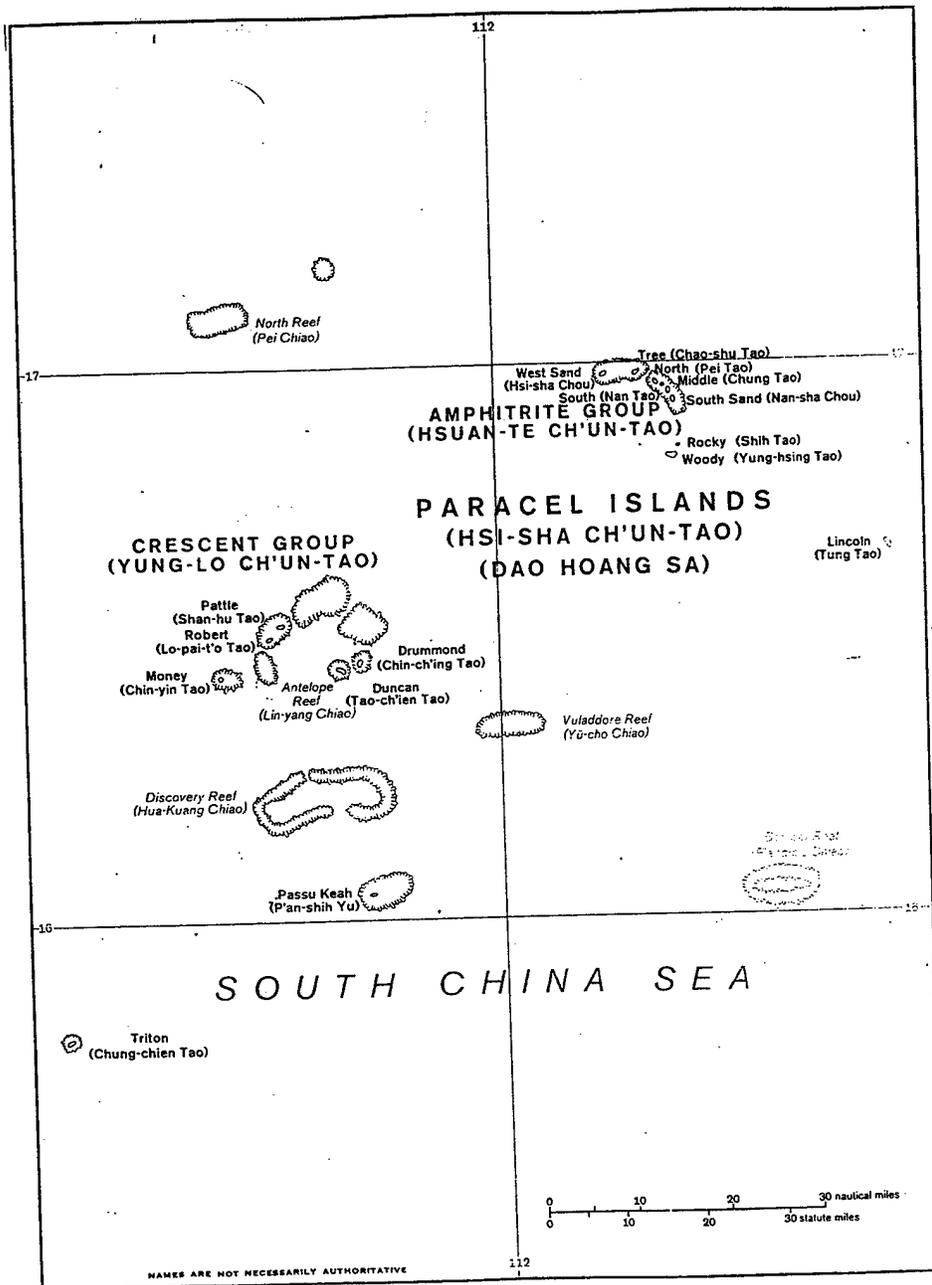


Figure 2. Paracel Islands (From Ref. *Border and Territorial Disputes*, 1987)

losses included one heavily damaged minesweeper and a slightly damaged subchaser.<sup>24</sup> The day after the naval skirmish, PLA Navy (PLAN) units delivered hundreds of PLA soldiers to the islands. These landings were coordinated with strikes by Hainan-based MiG fighter-bombers, against which RVN forces had little defense. The small RVN garrisons were quickly overcome and soon the PLA secured the entire archipelago for China.<sup>25</sup>

## 2. PLA Performance

From a tactical perspective, the outcome should have been predictable. The Paracels operation was authorized by chairman of the Chinese Central Military Commission and the Premier. The Minister of Defense and Deng Xiaoping personally supervised the operation. These men had at their disposal all the resources of the three fleets and naval aviation wings. The tactical initiative lay with the PLA.

In fact, a close examination of the fighting and manner of employment of Chinese naval and air units suggests the Chinese were unprepared for an engagement with the Vietnamese task force. The Chinese appeared to suffer from a lack of coordination and an inability to respond to contingencies. Though command and control was maintained by the Canton Military Region Headquarters, which reportedly had a trained battle operations staff,<sup>26</sup> naval infantry units disguised as fishermen were conducting reconnaissance and participating in

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<sup>24</sup> Chinese People's Liberation Army Navy *Officer's Handbook*, Vol.2, trans. Office of Naval Intelligence (Qingdao: Qingdao Publishing House, June 1991), 695.

<sup>25</sup> Larry J. Eschleman, *The Paracels/Spratlys Dispute and Its Potential for Renewed Sino-Vietnamese Armed Conflict* (University of Hawaii: August 1982), 3.

<sup>26</sup> *Ibid.*, 53.

firefights without adequate reinforcements. The only Chinese naval units in the region were a few small, lightly armed combatants and auxiliaries (the total displacement tonnage of the four PLAN units was less than one Vietnamese frigate).<sup>27</sup> Despite the escalatory nature of the conflict in which the Chinese literally had days to respond to growing Vietnamese agitation, larger and more capable naval units were not deployed to the region. The Chinese did not even launch Chinese attack aircraft to assist the PLAN minesweepers and subchasers under attack on 19 January, even though the naval engagement lasted over an hour and a half.

Although the PLAN sent two Chinese fishing boats to the Crescent Group to act as bait to entice the South Vietnamese to fire the first shot, the Chinese probably expected the Vietnamese to fold early and quickly relinquish their tenuous grip on the islands before a clash would escalate. Indeed, the apparent lack of coordination on the Chinese side may be rooted in assumptions made in Beijing that China could coerce Vietnam to abandon its positions without a major fight. In fact, available evidence indicates Beijing regarded the Paracels as a political fight and issued orders to the PLA to "adhere to struggle by persuasion and never to fire the first shot."<sup>28</sup> The Chinese probably were surprised by the strong Vietnamese reaction because they had planned on fighting the battle mainly on a political front.

Still, the PLA recovered sufficiently from their malaise to muster enough air and naval strength to sweep through the Crescent Group the day after the naval clash. Air power and

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<sup>27</sup> Zhan Jun, "China Goes to the Blue Waters: The Navy, Seapower Mentality and the South China Sea," *The Journal of Strategic Studies*, Vol. 17, No.3 (September 1994), 189.

<sup>28</sup> Yang Guoyu, *The Navy of Contemporary China* (Beijing: China Academy of Social Sciences Press, 1987), 395.

naval gunfire was used to suppress defenses in landing zones, utilizing lessons learned from previous amphibious operations against Hainan and Quemoy in 1949-50, Yikiangshan and the Tachens in 1954-55 and Quemoy again in 1958. The initial contingent of subchasers and minesweepers finally was augmented by as many as five destroyers and frigates.<sup>29</sup>

China also decided to exploit its clear advantage in the air. Airbases on Hainan were not only closer to the Paracels, but a Chinese radar site capable of providing early warning was established on Woody Island. Hainan-based fighter-bombers (possibly MiG-21 FISHBEDs) had enough fuel to perform multiple target runs before returning to base. Almost all of Vietnam's F-5 fighters, on the other hand, were based far afield at Tan Son Nhut airfield near Saigon. None of Vietnam's air force fighter pilots had seen air-to-air combat and few had any experience working with the controllers at the Tactical Air Control Center North, outside Danang, which would have directed the fighters. The skies over the Paracels went uncontested, allowing the PLA to land troops in a virtually hostile-free environment.<sup>30</sup>

In the final analysis, the PLA showed that it could successfully execute a combined arms operation. Though it was initially unprepared for stiff Vietnamese resistance, it recovered in time to apply maximum force against an objective far from the Chinese mainland and achieve a victory for the "motherland." (See Table 1 for correlation of forces in January 1974.)

### **3. Aftermath**

After their eviction from the Paracels, the defeated RVN

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<sup>29</sup> William Story, CAPT, *China: Blue Water Navy?* (Alexandria: National Defense University, February 1984).

<sup>30</sup> Eschleman, 53.

forces were ordered to bolster the defenses on Vietnam's six island possessions in the Spratlys. Convinced that China's next action would be to bring forces to bear in the Spratlys archipelago, Vietnam, the Philippines and even Taiwan began furiously reinforcing their island outposts in the Spratlys by air and sea convoy. Although they braced for another invasion, the PLA demurred. PLA forces were more intent on keeping their prize in the Paracels, and dedicated efforts to shoring up the defenses of the captured islands to consolidate the lodgement.

<b>JANUARY 1974</b>	<b>CHINA</b>	<b>VIETNAM</b>
<b>SURFACE FORCE</b>	3 subchasers, 1 minesweeper (initial clash)	3 Frigates, 1 Corvette
<b>RANGE TO PARACELS</b>	125 miles	200 miles
<b>SUPPORT AIRCRAFT</b>	FISHBED	F-5s (did not fly)
<b>FLEET AIR COVER</b>	YES (though no cover 19 Jan)	NO
<b>ISLAND DEFENSES</b>	N/A	POOR
<b>COMMAND &amp; CONTROL</b>	GOOD	POOR
<b>SURVEILLANCE CVG</b>	EXCELLENT	POOR

Table 1. Correlation of Forces January 1974

The PLA's reluctance to press its advantage into the Spratlys primarily stemmed from a realistic assessment of its naval and amphibious limitations. The PLAN lacked the logistic ability to maintain supply lines across 600 miles of open sea. None of China's fighters could range the Spratlys, and establishing sea control in unfamiliar waters garnished with treacherous shoals and patrolled by hostile navies was a quixotic prospect. (As compelling, Beijing could not be certain Saigon, Manila and Taipei would not combine forces to quash the PLA invading force.) And, of course, China had

also lost the crucial element of surprise.

Further swaying senior China military commanders from this course were the bloody lessons of the PLA's assaults on Dengbu and Quemoy Islands in 1949. Despite crushing superiority, the PLA was unable to reinforce the initial invasions and the stranded PLA forces suffered over 10,000 casualties. These disastrous defeats were attributed to sea and air support failures.<sup>31</sup> The attack on the Paracels was a victory for the PLA, but it had also taxed the limits of China's power projection capabilities.

#### **4. Lessons Learned**

China's victory, despite its flaws in execution, was received with much encomium in Beijing. The victorious PLA participants became instant heroes and were conferred awards almost immediately. Such plaudits reflected the significance of the Paracels affair: first, the PRC had demonstrated its ability to project power far beyond its mainland shores; second, the PRC had shown resolve in backing its territorial claims with armed force. The timing of the operation was carefully planned to strike while Vietnam was still divided by civil war. Beijing perceived correctly that Hanoi would not long remain quiet and neutral on the issue of sovereignty over the islands (which it had in its capacity as Saigon's enemy and Beijing's ally). By late 1973, Beijing realized that Hanoi's tilt toward the USSR meant that Vietnam might allow Soviet forces access to the Paracels once the nation was reunited. Beijing was compelled to take preemptive action to avert the prospect of encirclement by the Soviet

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<sup>31</sup> John Wilson Lewis and Xue Litai, "China's Strategic Seapower: The Politics of Force Modernization in the Nuclear Age," (Stanford: Stanford University Press, 1994), 219.

Union on China's southern flank.<sup>32</sup>

Extraregional factors that may have constrained Chinese military operations in the South China Sea were absent in early 1974. Despite continued tension with China due to a series of border scraps in 1969, the Soviet Union did not hold a direct stake in the territorial dispute, nor was it expected to come to the aid of the South Vietnamese. What is more, the U.S. had withdrawn its military commitments to Vietnam at the January 1973 accords, and was unwilling to risk capsizing the raft of goodwill flowing between Washington and Beijing. Nixon and Kissinger were not about to derail improving Sino-American relations over a few obscure islands in the South China Sea. In the final analysis, Beijing's occupation of the Paracels was achieved at no political and negligible military cost.

Although the PLAN had placed a strategic feather in Beijing's cap, more candid senior Chinese officials believed the Paracels incident had exposed the weaknesses of the PLAN. They believed the war was "very embarrassing for the Chinese Navy in that it brought to light all the defects of a large but weak navy crippled by outmoded strategy and poor equipment."<sup>33</sup> Critics specifically cited the initial clash between the PLA task force of light patrol vessels and minesweepers and RVN combatants. The first Vietnamese barrage hit four Chinese vessels and nearly sank a Kronstadt subchaser. During the counterattack Chinese sailors apparently were forced to use rifles and grenades,

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<sup>32</sup> For more details on China's concern about Vietnam's drift toward the USSR see John W. Garver, "China's Push Through the South China Sea: The Interaction of Bureaucratic and National Interests," *The China Quarterly*, No. 132 (December 1992), 1001.

<sup>33</sup> Zhan, 189.

highlighting the inferiority of PLAN equipment or tactics.<sup>34</sup> Weaknesses were also evident in the relative strengths of the three fleets: combatants from the East and North Fleets had to be hurriedly dispatched to the Paracels to provide last-minute support to the South Sea Fleet units which had already engaged the Vietnamese.<sup>35</sup> Despite the successful outcome, tactical lessons from the skirmish spurred China's naval leadership to place a greater emphasis on contingency planning, amphibious warfare<sup>36</sup> and balanced fleet compositions.

Performance of the Chinese Navy during the Paracels clash notwithstanding, the very nature of the operation involving a combined force asserting itself far from the mainland called into question Mao's fundamental strategy of using the navy as a "sea guerrilla" force. The "sea guerrilla" strategy that had dominated Chinese naval operations and tactics since 1949 revolved around the idea that naval forces were coastal adjuncts to ground and air forces and tasked solely to defend the mainland.<sup>37</sup> As an extension of the "People's War" at sea, this strategy called for large numbers of torpedo boats and fast patrol craft to thwart an invasion from sea. Not until its sovereignty was overtly challenged by Vietnam was China compelled to

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34 Ibid.

35 Ji You, "Facing the New Century: The Chinese Navy and National Interest," Paper prepared for the conference "Sea Power in the New Century," Sydney (November 22-23, 1995), 8.

36 The Navy dedicated itself to building more capable amphibious craft which could operate at long ranges from the mainland. The PLAN built 24 LSMs and 3 large LSTs by the end of 1981, increasing the PLA's lift capacity by an estimated seventy percent.

37 Naval subordination is best exemplified by the acronym "PLAN" vice "PLN."

reevaluate its longstanding notions of maritime service. The Paracels incident signalled a new willingness to employ the PLAN beyond mainland territorial waters to protect China's "national interests."<sup>38</sup> Indeed, the brief conflict in the Crescent Group stood as an important milemarker in the slow transformation of Chinese strategic thinking from deep-seated "yellow earth" continentalism to a "blue culture" outlook that recognized the growing importance of seapower.

## **B. EVOLUTION OF CHINA'S SEAPOWER MENTALITY**

### **1. Crafting the "Offshore Defense" Strategy**

The decade following the skirmish in the Paracels saw a dramatic shift in China's approach to national defense. Mao's death and the ascendancy of Deng Xiaoping signalled a new era of pragmatism. The road of modernization was a rocky one for the PLA, however. The PLA's offensive in January 1979 to "punish" Vietnam for invading Cambodia exposed major deficiencies in PLA equipment and combat capability. Defense modernization had already been lowered to fourth and last priority a year earlier. Economic imperatives simply did not allow the military to eat up China's limited resources--it was time to choose butter over guns. Defense modernization was still an important objective, but pledges to promote national defense came with the understanding that a strengthened economy preceded and undergirded a defense build-up.

It was in this reform-oriented environment that a new maritime strategy was crafted. The bellwether for change was Admiral Liu Huaqing, who in 1982 promulgated a comprehensive strategic framework for future naval operations called

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<sup>38</sup> In larger sense, the Paracels incident also reflected the growing importance of an authoritarian, or realist, rather than communist, world view.

"offshore defense." Echoing Mahan and Gorshkov, Liu stressed that a nation could not be a major power unless it possessed seapower.<sup>39</sup> To Liu, the idea of "sea guerrilla" warfare was outmoded. Since in the foreseeable future no large-scale invasion of China was likely, the fleet should not be restricted to the narrow mission of coastal defense. Future wars would be local ones fought at China's periphery over maritime interests. And these future battles would require a navy prepared to fight on short notice and at long ranges from the mainland. "Offshore defense" nicely dovetailed with the modernization push and was being voiced at a time when Chinese overseas trade was just beginning to surge.

Another major impetus for the development of the "offshore" philosophy was the enlarged Soviet presence in the region. Cast as an imperialist power colluding with the U.S. to redivide the world, China had long been wary of Soviet military activity along its borders. *The People's Daily* offered this perspective on the Soviet threat in 1979:

[The USSR] intensifies expansion of its Pacific fleet in a frenzied attempt to surround us from the sea.... Facing this kind of serious military provocation and war clamor, we are like opening the door to admit robbers and bringing a wolf into our house if we do not build a powerful navy and strengthen our coastal defense.

China was unsettled by Soviet naval operations in the Indian Ocean in the 1970s, and became clearly irate after the Soviets provided direct support to Vietnam during the 1979 border war. The subsequent Soviet establishment of a forward deployed base at Cam Ranh Bay for Soviet long-range bombers, fighters, and naval combatants quickly raised China's perceptions of vulnerability (as had the prospect of Soviet

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<sup>39</sup> Liu was intimately familiar with Soviet naval policy as result of studying in the Soviet Union earlier in his career.

forces anchored in the Paracels in 1973). In 1983, China portrayed Vietnam as the "knife the Soviet Union has placed at the back of China"<sup>40</sup> and accused Moscow of forming a military alliance with Hanoi as another link in the military encirclement of China. Beijing's reactions were not unjustified; by the early 1980s the Soviet Union had friendship pacts with five countries bordering China (Vietnam, India, Afghanistan, Mongolia and North Korea). Stripped of its buffers states, China looked to the sea for defensive maneuvering room.

The high seas were not simply for the taking, however. On China's maritime flanks Soviet seapower burgeoned. In the first half of the 1980s alone the size of the Soviet Pacific Fleet waxed from 100 to 120 submarines, 72 to 94 principle combatants, and 370 to 510 naval aircraft.<sup>41</sup> In the South China Sea, the Soviet Navy began conducting joint exercises with Vietnam in 1981. Operating from Cam Ranh Bay, Soviet combatants could rapidly mine Chinese ports or close vital sea lines of communication in time of war. PRC believed its merchant lifelines, fishing and offshore oil drilling operations were directly threatened. Probably of greater significance, Beijing was concerned that its coastal provinces, home to the country's most productive industrial centers and verily the engines of national economic growth, were inadequately protected. The Chinese rapidly concluded vast improvements in anti-ship (ASUW), anti-submarine (ASW) and anti-air (AAW) capabilities would be required before the PRC could sweep the Soviets from the China Seas. Liu

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<sup>40</sup> Brent Smith, *Soviet Entrenchment in Cam Ranh Bay: Military and Political Implications for Japan, ASEAN, and PRC* (Naval Postgraduate School, September 1986), 58.

<sup>41</sup> *The Military Balance* series, International Institute of Strategic Studies, 1980-1986.

Huaqing's "offshore" strategy furnished the doctrinal justification for allocating the necessary resources to meet this seaward menace.

The "offshore defense" strategy also seemed tailor-made to China's intention to recapture the Spratlys from Vietnam, as it had vowed in 1974. The oft-quoted goal of building a navy that could protect China's maritime interests at extended ranges implicitly had as its guiding image the pithy collection of islands and reefs in the Spratlys archipelago. Geographically, "offshore" was defined as the sea areas stretching from Korea almost to Singapore, bounded to the east by Japan, the Ryukyu Islands, Taiwan and the Philippines.<sup>42</sup> China realized that until it could extend its military might to every corner of these waters, its maritime and territorial claims would continue to be low hanging fruit for its neighbors to pick. In fact, rival claimants to the Spratlys had already made significant encroachments into the Spratlys archipelago. The Philippines possessed at least seven fortified outposts on most of the islands in the north/northeastern areas of the Spratlys by 1978. With reunification in 1975, Vietnam, as probably was foreseen by Beijing, pursued all claims previously enunciated by the South Vietnamese government. In 1982 Vietnam expanded its presence in the region beyond its existing possession of six islands by building garrisons on three additional sand cays. In response, Malaysia established an outpost on one reef in the disputed zone and had occupied two more by 1984. To chants of "offshore defense," China soon took steps to avoid emerging as the net loser in terms of territory, resources and "face" in the South China Sea.

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<sup>42</sup> David Winterford, "Expanding Chinese Naval Power and Maritime Security in Southeast Asia" (Naval Postgraduate School, January 1992), 16-18. The offshore area is currently defined by the PLA as extending out to the "first island chain."

## 2. The Dragon Extends its Claws

China's 1974 attack in the Paracels represented the rebirth of Chinese naval and maritime interest in the South China Sea. Pricked into action to counter perceived Soviet encirclement and to stop the relentless plundering of its distant territorial claims, a seagoing fleet was gradually constructed and the PLAN began stretching its operational reach. The PLAN's first out-of-area deployment to the southwest Pacific took place in 1976; cruises of similar duration and distance occurred periodically throughout the late 70s and early 80s.

The real turning point came in 1986 when "offshore defense" was formally put into practice. In that year, the Chinese Navy launched its first long-distance joint fleet exercise in the western Pacific for the purpose of "intensifying the concept of joint action and improving the capability of rapid reaction and joint combat."<sup>43</sup> Until 1986, no combined fleet exercises for the purpose of combat had occurred. The following year they were made a compulsory part of the PLAN's training syllabus. China dispatched its first joint fleet to the South China Sea in mid 1987. Near the end of the year a large joint naval contingent sailed to James Shoal at the southernmost reaches of the South China Sea. These deployments were clearly meant to display China's power and determination to control the strategic Spratly chain.

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<sup>43</sup> *People's Navy News*, Beijing, October 6, 1988.



#### **IV. OLD ENEMIES CLASH AGAIN IN THE SPRATLYS**

Tracing the evolution of China's seapower mentality in the preceding section was intended to serve as background for the second case. Though many changes had occurred in China over the span of fourteen years, China had not lost its sense of territorial vulnerability on its southern flank. (See Figure 3 for a detailed map of the Spratlys.)

##### **A. CASE STUDY II**

###### **1. Background**

As the PLAN's military potential caught up with Beijing's longstanding maritime goals, China's intolerance to Vietnamese encroachments in the Spratlys archipelago stiffened. In April 1987, after Vietnam occupied Barque Canada Reef, increasing its territorial acquisitions in the archipelago to over twenty islands and reefs, Beijing demanded Vietnam's immediate withdrawal and gave notice that China reserved the right to recover its claimed islands.<sup>44</sup> In November the decision was made to begin establishing a Chinese "sea-level weather research station" (i.e., permanent outpost) on Fiery Cross Reef in the Spratlys.<sup>45</sup> Vietnamese aircraft reportedly monitored Chinese construction efforts, while Vietnamese warships shadowed Chinese vessels engaged in survey and patrol activities.<sup>46</sup> Friction with Vietnamese

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<sup>44</sup> China may also have been piqued by what it saw as plundering throughout the archipelago. Malaysia had been building outposts on Mariveles and Ardasier reefs since 1986. Though China only attacked Vietnam's actions, the message to other claimants was clear.

<sup>45</sup> Construction on Fiery Cross Reef began in early February 1988.

<sup>46</sup> Garver, 1005-1006.

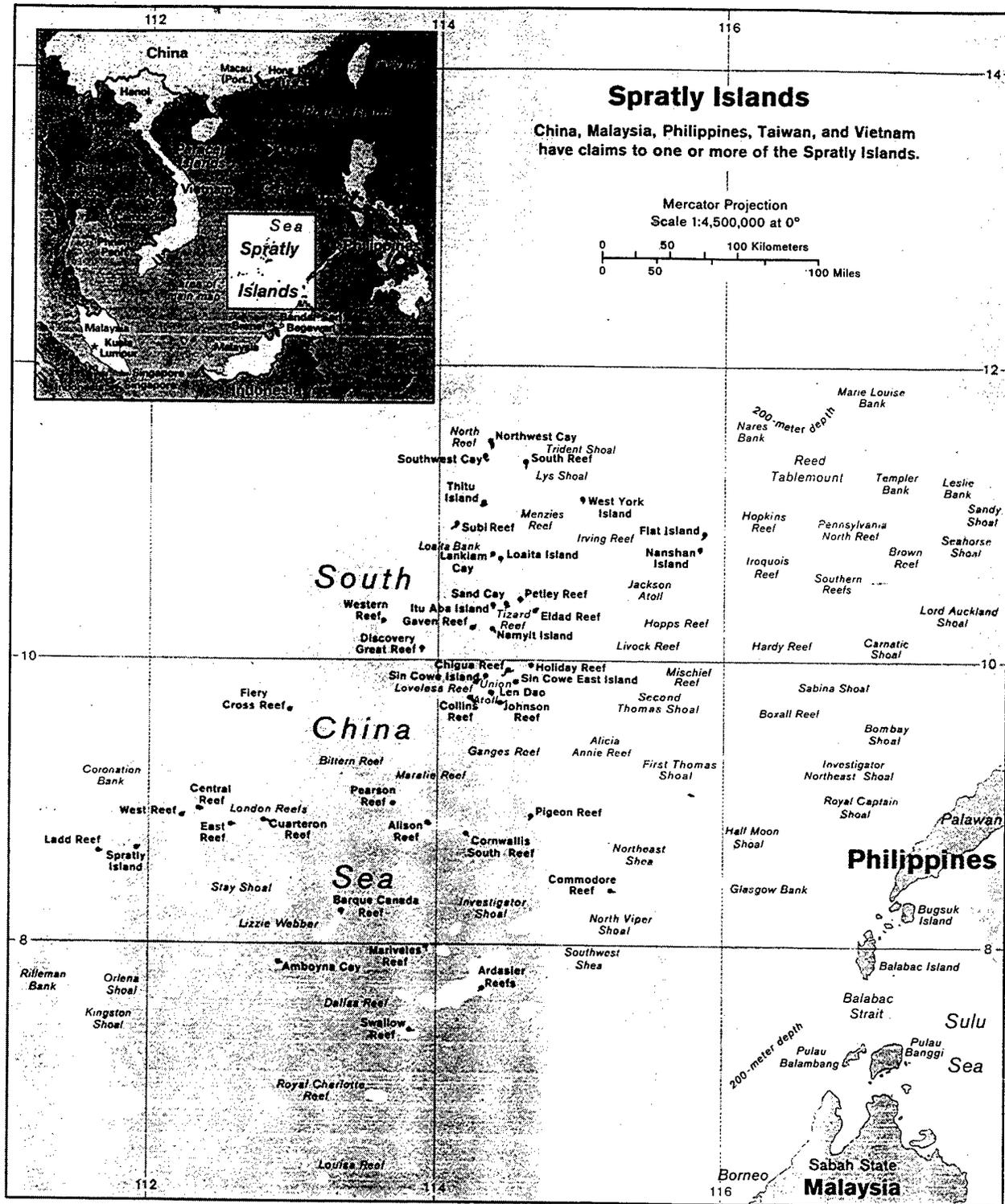


Figure 3. Spratly Islands (From Ref. CIA map 801213)

forces correspondingly mounted in the archipelago and it was only a matter of months before the simmering flashpoint would flare.

The volatile mix of Chinese and Vietnamese ships in the same waterspace predictably led to a series of near clashes between naval units. These brushes usually involved Vietnamese units approaching the reefs on which Chinese investigation teams were working. On at least three occasions, Chinese warships intercepted and turned away the Vietnamese vessels. The situation climaxed in mid-March 1988 when the PLA sank a Vietnamese auxiliary and damaged an LST operating in the vicinity of Johnson Reef.<sup>47</sup> The PLA subsequently consolidated its position in the region, planting flags and occupying six major reefs by April 1988. The PLAN had secured a foothold in the contested zone, and the Vietnamese navy suffered the fate of flint having met steel.<sup>48</sup>

## **2. PLA Performance**

China's penetration into the archipelago seemed to pose high risks. Vietnamese forces were well-entrenched on larger islands, outposted on scores of lesser reefs, and intimately familiar with the environment (weather phenomena, tidal changes, location of dangerous shallows, etc). In addition, the Spratlys are twice as close to Vietnam as China,

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<sup>47</sup> According to the Chinese account, two Vietnamese Navy freighters and an amphibious landing ship disembarked over 40 armed men on Johnson Reef and opened fire on a Chinese shore party conducting a survey of the area. PLAN ships responded to the attack by firing on the Vietnamese ships (which were also firing onto the reefs with heavy machine guns). The Vietnamese may have thought the Chinese were operating too close to its garrison on Collins Reef (also known as Johnson Reef North).

<sup>48</sup> Jon Sparks, LCDR, "The Spratly Islands Dispute: Possible Outcomes and Their Effects on Australia's Interest," *Asian Defence Journal* (March 1995).

optimizing Vietnam's reinforcement posture. Vietnamese long range transports could provide resupply or reconnaissance of the islands. Vietnamese fighter-bombers could range parts of the Spratlys and theoretically interdict China's naval combatants and B-6 bombers transiting to and/or operating in the region.<sup>49</sup> Defense in depth was bolstered by Vietnam's fleet of missile and torpedo patrol boat acquired from USSR. Further stacking the odds in Vietnam's favor, the Soviets continued to be a strong ally and presumably could, in a pinch, be called on to bring its military might stationed in Cam Ranh Bay to bear against a Chinese task force.<sup>50</sup>

In reality, the Vietnamese navy and air force suffered major deficiencies. The navy was composed of a large number of Soviet, Chinese and U.S. equipment captured in 1975, but it heavily relied on Soviet advisors at all levels. Its most capable combatants were its Soviet-supplied fast attack craft (including OSA PTGs), but these were slaved to coastal defense of the mainland. In 1988, Jane's review of the Vietnamese fleet added, "So far as operational availability is concerned only a small proportion of [Vietnam's] considerable force can be reckoned fit for sea due to lack of maintenance and spares as well as a lengthy period without sufficient fuel for sea-going training." The Navy's poor showing, however, was not unexpected given its lack of combat experience and low-grade operational readiness.

The dependency of Vietnam's air force on Soviet assistance was even more profound than the navy's, resulting in similar low readiness rates. Vietnam possessed several

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<sup>49</sup> A FISHBED would have to fly subsonic intercept and maintain a high altitude during most of the mission to save fuel.

<sup>50</sup> In the 1987-1988 timeframe, the Soviet Union forward deployed three to four principal and three to four minor surface combatants, and two to four subs to Cam Ranh Bay. The supporting composite air wing consisted of TU-95/-142 BEARS, Tu-16 BADGERS and Mig-23 FLOGGERS.

squadrons of FISHBED fighters and FITTER attack aircraft that could range the western edges of the Spratlys, but these aircraft were primarily air defense and interdiction weapons designed to support ground commanders.<sup>51</sup> Vietnamese pilots did not train to conduct war at sea nor were they comfortable flying overwater outside GCI range, restricting most operations to within sight of the coast. Due to training and flight time per pilot shortfalls, it probably would have been extremely difficult for Vietnamese fighters to successfully conduct a maritime strike or intercept Chinese aircraft flying in the South China Sea. Despite the advantage of proximity (about 375 miles closer) to the Spratlys, then, Vietnam's air force could not fully capitalize on its geographic advantage.

Vietnam's power projection infirmities were a boon to the PLAN, which could mount no credible air defense against a determined opponent. Organic air defenses for surface ships in the South Sea Fleet consisted of short-range guns and hand-held missiles. And unlike the Paracels invasion in 1974, none of China's fighters possessed long enough "legs" to make it to the Spratlys, leaving PLAN ships without air cover. Conscious of this and other vulnerabilities such as its thin logistics tail, the PLAN took pains to minimize the potential for conflict in order to safeguard its tenuous hold on Fiery Cross, the reef upon which China planned to establish its forward headquarters in the Spratlys. Eschewing direct or surprise assaults against existing Vietnamese claims, Chinese forces ponderously surveyed and built structures on uninhabited reefs. In fact, the PLA

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<sup>51</sup> A FITTER is a relatively short range tactical bomber. It would have to be loaded with light bombs or rockets and two large external fuel tanks to reach the western fringe of the Spratlys. FITTERS would enjoy little loiter time to search for naval targets, indicating their role, if any, would have been limited to bombing enemy-held reefs.

avoided direct confrontation with Vietnamese forces for ten months (May 87-March 88) before the clash on Union Atoll.

From a strictly tactical standpoint, shortcomings in China's amphibious assault capabilities precluded PLA attacks on Vietnam's island holdings. Less than a fifth of the amphibious craft stationed in the South Sea Fleet were capable of the 600 mile transit.<sup>52</sup> Aside from limitations on lift capacity, PLA marines had minimal training in conducting opposed landings and little to no combat experience. Unlike the landings in the Paracels fourteen years earlier, which met with little resistance, amphibious landings in the Spratlys would encounter stiff opposition. The Vietnamese-held islands in the Spratlys were heavily fortified with all ranges of antiaircraft artillery (12.7mm to 57mm), shoulder-fired SAMs, tanks and 85mm to 130mm guns; the islands were simply too small to have undefended sectors. Vietnam also possessed a large trained naval infantry force--perhaps six times the size of China's--that could be available for potential counterattacks.<sup>53</sup> Vietnam could also rely on Soviet reconnaissance and signals intelligence assets to inform them of Chinese naval operations, giving Vietnam advance warning of potential threats.<sup>54</sup> Forewarned and geared for action, Vietnamese forces would probably have inflicted high combat losses on PLA marines struggling ashore.

Additionally, the PLA's air arm was ill-equipped to

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<sup>52</sup> Only the larger YUKAN class LSTs and YULIANG class LSMs with deeper keels could weather the voyage. Richard Sharpe, CAPT, ed., *Jane's Fighting Ships 1987-1988*, Jane's International Group, 109-110.

<sup>53</sup> China was estimated to have a marine force of 3,000-6,000 troops, while Vietnam had a total of approximately 30,000 troops, albeit dispersed along the full stretch of its coast.

<sup>54</sup> Rodney Tasker, "Calculating the Risk Factor," *Far East Economic Review* (May 5, 1988), 26; "Russian SIGINT Data Aids Vietnam," *Jane's Defence Weekly* (May 6, 1995), 3.

support an amphibious assault so distant from mainland China. While PLA Naval Air Force's (PLANAF) 35 B-6 bombers could easily range the Spratlys and launch air-to-surface missiles, the missiles were not designed to hit land targets and each BADGER carried only two. PLANAF B-5 BEAGLE bombers also had long "legs," but were, like the B-6's, poor close air support (CAS) platforms. Small, nimble attack aircraft designed for CAS missions simply could not reach the battlefield. This fight would not be another Paracels, where China's overwhelming air superiority forced the Vietnamese defenders to quickly hoist the white flag.

The PLAN's single advantage was the superiority of its fleet to Vietnam's. Not only did it have a qualitative edge in terms of training and material condition, the PLAN probably deployed more principal combatants to the region. References to the types and numbers of ships deployed to the Spratlys are few, but it appears the Chinese may have had approximately twenty ships, half of which may have been combatants. Prior to the mid-March sinkings, Vietnam's naval contingent consisted primarily of auxiliaries such as minesweepers, armed freighters and armed fishing vessels. Although Vietnam's fast and maneuverable PTGs and torpedo boats would have equalized the threat from PLAN units, there was no evidence they were deployed to the Spratlys. Either these units could not safely weather the crossing or Vietnam decided to hold these units in reserve for more important engagements (i.e., defending mainland ports and harbors). Surface firepower clearly favored the PLAN.

The Chinese fleet had a major liability, however, which prevented it from operating with impunity in the archipelago. The PLAN's chief weakness was its lack of surface-to-air missile defenses, without which fleet units were highly

vulnerable to Vietnamese aircraft.<sup>55</sup> The Chinese could not disregard the lethality of Vietnam's FISHBED or FITTER aircraft armed with either iron bombs or air-to-surface weapons (AS-7s), which could make seabed ornaments of the PLA fleet as it massed for an amphibious assault.<sup>56</sup> The Chinese may also have worried that more capable Soviet tactical aircraft (such as the FLOGGERS at Cam Ranh Bay) would be employed if the PLA somehow mishandled the situation. In the face of these potential show-stopping threats, the PLAN's ability to control the seas, much less the air, in support of amphibious operations was problematic. (See Table 2 for correlation of forces in March 1988.)

### **3. The PLA's Artful Employment of Deception**

Aware of its vincibility in the southern stretches of the South China Sea, China viewed an open assault against Vietnam's islands as tempting disaster. Beijing resolved to advance its objectives through less risky means, using deception. Naval missions sent to the Spratlys in mid- to late 1987 and early 1988 thus were guised as scientific expeditions. The fleets comprised oceanographic research vessels and warship escorts, which subsequently deposited "scientists" and building materials on a total of six reefs. Portraying its actions as "non-aggressive," China claimed the U.N. Education, Scientific and Cultural Organization had approved the construction of weather research stations on the

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<sup>55</sup> Only one principal combatant in the entire PLAN possessed a SAM in 1988--a JIANGDONG FF, which had not yet solved problems related to its missile system.

<sup>56</sup> It is unknown whether the PLA understood the true capabilities and limitations of Vietnamese aircraft in performing maritime strike missions.

cays in question.<sup>57</sup> This veneer provided a convenient pretext for an increased naval presence and helped forestall a direct confrontation with Vietnamese forces during the early stages of occupation.

<b>MARCH 1988</b>	<b>CHINA</b>	<b>VIETNAM</b>
<b>SURFACE FORCE</b>	Approx 20 Units: scientific research vessels, auxiliaries and warships (DDs & FFs)	minesweeper, armed freighters
<b>RANGE TO SPRATLYS</b>	600 miles	225 miles
<b>SUPPORT AIRCRAFT</b>	B-6D and B-5 bombers	FITTERS or FISHBEDS
<b>AMPHIBIOUS</b>	Untested at long range	Minimal
<b>NAVAL AIR DEFENSE</b>	POOR (handheld SAMs)	POOR (handheld SAMs)
<b>ISLAND DEFENSES</b>	N/A	Multiple caliber guns, AAA
<b>COMMAND &amp; CONTROL</b>	POOR	POOR
<b>SURVEILLANCE</b>	POOR	EXCELLENT

Table 2. Correlation of Forces March 1988

### **B. NULLIFYING SOVIET INTERVENTION**

On the surface, it seemed China's cautious approach to occupation stemmed as much from China's fear of Soviet intervention as from the PLA'S military insecurities vis-a-vis Vietnam. Soviet BEAR aircraft routinely patrolled the South China Sea, conducting flights as far east as the Luzon Strait and as far south as the Spratlys. The Soviet force forward deployed to Cam Ranh Bay could, if ordered, track, identify, attack and attrite a Chinese task force well before

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<sup>57</sup> *Far East Economic Review* (August 13, 1992), 15.

it reached the Spratlys.<sup>58</sup>

In fact, by 1987 China had little to fear from Soviet sea and air power. Rapprochement between China and the USSR removed the Soviets from the military equation and guaranteed that a fight over the Spratlys would be dealt with on strictly bilateral grounds. When Gorbachev came to power in 1985 he made improved Sino-Soviet relations the centerpiece of his Asian policy. Believing the Soviet Union's stagnant economy could only be remedied by reducing international hostility and resentment against Soviet expansionism, Gorbachev prepared to cut down the size of the Soviet army's "bootprint" in the world.<sup>59</sup> In search of halcyon days, Gorbachev turned to diplomacy to win over Beijing and calm China's fears of encirclement. Beijing was receptive because it saw improved Sino-Soviet relations as another way to leverage Washington.<sup>60</sup>

Sino-Soviet detente actually had its roots in economic warming in the early 1980s, but it was not until the Soviet Union addressed three major obstacles (Soviet presence in Afghanistan, support to Vietnam in Cambodia and massive troop levels on China's border) that Beijing would consciously improve political ties. Gorbachev's July 1986 Vladivostock speech signalled Moscow preparedness to negotiate these key issues.<sup>61</sup> Moscow's concessions gradually convinced Beijing

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<sup>58</sup> Derek da Cunha, *Soviet Naval Power in the Pacific* (London: Lynne Rienner Publishers, 1990), 176.

<sup>59</sup> David Winterford, "Sino-Soviet Detente: New Challenge to American Interests in Asia," (Naval Postgraduate School, March 1989).

<sup>60</sup> Ibid.

<sup>61</sup> Gorbachev reaffirmed the Soviet acceptance of principles for resolving border disputes, publicly considered removing troops from the Sino-Soviet and Sino-Mongolian border, and announced a small withdrawal

that the USSR might be prepared to sacrifice the interests of its Vietnamese ally for better relations with China.<sup>62</sup> By late 1987, after detente had gained momentum, China was reasonably certain Moscow would not intervene on Vietnam's behalf over a few inconsequential reefs in the South China Sea. In fact, after the March 1988 clash in the Spratlys Vietnam asked the USSR to send more ships to Cam Ranh Bay as a gesture of support. Moscow refused on the grounds it would have an adverse impact on relations with Beijing.<sup>63</sup> Soviet neutrality over the Spratlys in 1987-88 provided manifest proof of Moscow's good intentions, and unfettered Beijing to proceed with its territorial ambitions.

### C. TIPTOING AROUND ASEAN

#### 1. China's Sensitivity to Regional Dynamics

China's decision to quietly infiltrate reefs in the Spratlys was integral to China's strategy to evade Vietnam's military centers of gravity and avoid alarming ASEAN nations. Preoccupied with global strategic considerations during the Cold War, China had long endured Philippine and Malaysian incursions into the Spratlys because it needed ASEAN's help in containing the Soviet threat. China saw the Philippines and Malaysia as "countries to be won over to its own anti-hegemonism united front."<sup>64</sup> After Malaysia claimed several

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of troops from Afghanistan.

<sup>62</sup> Winterford, 15.

<sup>63</sup> Michael Richardson, "Soviets reverse decision: air and naval forces will remain," *Asia-Pacific Defense Reporter*, Vol. 18, No. 18 (August 1991).

<sup>64</sup> Chen Jie, "China's Spratly Policy: With Special Reference to the Philippines and Malaysia," *Asian Survey*, Vol. 34, No. 10 (October 1994), 894.

islands in the Spratlys in 1979, for instance, Beijing's response was very low-key, made through diplomatic channels. No public references to the Sino-Malaysian dispute were made until 1983, and even then it was made indirectly, couched in a general statement of China's claims to the entire area.<sup>65</sup> Cold War exigencies kept Beijing mum over reef hopping incidents involving Manila or Kuala Lumpur.

Subsiding U.S.-Soviet and Sino-Soviet rivalries in the early to mid-1980s changed this regional dynamic. A welter of peripheral issues heretofore frozen by the Cold War were resuscitated. China's strategic focus consequently shifted to struggles along its borders that could lead to local wars. Beijing's sensitivity to predations in its "back yard" became more acute, in turn emboldening the PLA to increase its military profile in the South China Sea.

Still, China was impelled to tread lightly. Despite ASEAN's declining strategic importance to China, the regional bloc remained important to China's economic modernization. Expanded reform and open-door programs in China led to a greater dependency on foreign investment and trade with Southeast Asia. China required a peaceful regional environment to facilitate economic growth, so it continued to make tactical decisions within the strictures of its good-neighbor policy with ASEAN. Beijing was cognizant that, unlike the Paracels incident--a bilateral dispute, military splashes in the Spratlys would ripple outward to the capitals of Malaysia, the Philippines, Indonesia, etc. China feared ASEAN perceptions of Chinese expansionism could destabilize the region and obstruct economic progress.

Two major factors, then, convinced Beijing subterfuge

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<sup>65</sup> Dr. Bilveer Singh, "Security Implication of Conflict in the South China Sea: A Singaporean Perspective," Paper presented at workshop addressing potential conflict in the South China Sea (Manila, Philippines, November 12-14, 1995).

was the most effective means to advance its position in the Spratlys in 1987. First, China was reluctant to openly confront Vietnamese forces in the face of uncertain odds. By claiming the U.N. had approved construction of research stations, China bought space and time to establish a physical presence. Second, China's non-confrontational approach obfuscated Beijing's long term intentions toward territories claimed and occupied by ASEAN member states. Riding on the coattails of a legitimate and ongoing international scientific program, Beijing sought to avoid being stigmatized by ASEAN as the region's new "hegemon."

## **2. Fallout from 1988 Sino-Vietnamese Scuffle**

In the wake of the clash in March 1988, Chinese officials assured the Philippines and Malaysia that Beijing harbored no hostile intentions toward them, and announced that its dispute with them over the Spratlys could be resolved through friendly discussions.<sup>66</sup> This "thrust and reassure" strategy became a familiar profile of China's operations in the South China Sea. Despite Beijing's soothing tone, however, China's probings charged the air with negative ions. Believing the Spratlys incident might escalate into war, Vietnam promptly increased its naval presence in the Spratlys to about thirty ships.<sup>67</sup> Malaysian and Philippine anxieties were manifest in the immediate dispatch of marine and artillery reinforcements to their respective garrisons.

Anxious to avoid destabilizing the region, China took steps to smooth Manila and Kuala Lumpur's feathers. The PLA limited its activities in the Spratlys to construction on

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<sup>66</sup> Ibid., 901.

<sup>67</sup> Murray Hiebert, "No, not another war!" *Far East Economic Review* (May 5, 1988), 24.

uninhabited reefs, while Chinese diplomats pledged their commitment to peaceful solutions. These measures worked over time to allay fears of a new Chinese policy of aggressive irredentism. China's persistent upbraiding of Vietnam throughout the late 1980s further reassured rival claimants that China's aggressiveness in the region was aimed squarely at Vietnam. After all, Hanoi was the only claimant that continued to arrogate territory in the Spratlys. Between 1987 and 1989, Vietnamese forces occupied an additional fifteen islets and reefs (mainly small outposts on stilts).

ASEAN was not totally unconcerned with China's growing presence, of course. Some officials probably could not shirk the feeling a fox had entered the henhouse. But at the time, Vietnam was being pilloried as the villain apparent of Southeast Asia. Its continued occupation of Cambodia was ASEAN's greatest security problem.<sup>68</sup> The more military pressure China could exert on Vietnam, the greater likelihood Hanoi would be persuaded to withdraw from Cambodia. Hence, bilateral conflict in the Spratlys between China and Vietnam was not an unwelcome development to ASEAN, and China's naval presence could be brooked if it came at Vietnam's expense.

Soon, two events would make some ASEAN states shudder at their tacit support for China's most forward actions in the South China Sea in 1988. First was China's new post-Cold War strategy of defending its border interests and winning regional brushfire wars. Second was China's announcement of a territorial sea law in 1992, which laid down the glove to any challengers to China's sovereignty over its sea zones.

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<sup>68</sup> ASEAN efforts to resolve the Cambodia dilemma was to act as a crucible uniting Southeast Asian nations together in a common cause. Based on their Cambodia experience, ASEAN resolved to use diplomacy to resolve outstanding intra-ASEAN territorial disputes, including the squabble between Malaysia and the Philippines over jurisdictional rights in the Spratlys.

#### **D. CHINA'S POST-COLD WAR STRATEGY**

The ebbing of the Cold War in the late 1980s brought new prominence to regional quarrels. The diminished likelihood of global conflict convinced Beijing low-intensity conflicts in the region would become the most likely form of future military action. Although firmly committed to maintaining a strong conventional deterrent force against future Russian or U.S. threats, China's national strategy was retooled to meet emerging threats from below. Beijing adopted a "Doctrine of Regional War" and began making adjustments in its force posture and resource allocations to prepare for limited wars along its strategic boundary. This new strategy reflected, in part, U.S. thinking on the nature of modern war, an analysis of the Gulf War, and a general reflection on "high-tech" conflicts, which China believes are of a quick-flare, short-burn caliber. The kind of local wars the PLA foresaw included conflict with Southeast Asian nations over territorial disputes and possibly clashes with India, which appeared to be "muscling in" toward Southeast Asia via the Andaman Sea and the Straits of Malacca. To respond to these emerging threats, the PLA planned to develop rapid reaction, flexible response units equipped with high-tech weapons and sufficiently mobile to make rapid gains and achieve early tactical advantage anywhere along China's periphery.<sup>69</sup>

Spotlighting regional disputes had clear ramifications for Southeast Asia. Beijing's focus shifted from threats on its northern axis to those on its southern flank, and the PLA began to gear its military capabilities to rapidly project power against perceived trespassers. A new premium was placed on controlling the South China Sea and protecting China's soft underbelly.

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<sup>69</sup> "New World Order--Enduring Realities--Fundamental Changes," Naval War College, Center for Naval Warfare Studies, Vol. II, C-2-b-7.



## V. REEF-HOPPING IN 1992 AND 1995

For the sake of simplicity and because the advances fall within the same general time span, this chapter lumps several reef occupations by the PLA under the rubric of a single case study. This section opens with a description of Beijing's controversial sea law of 1992 for it provides a key insight into the degree to which economic imperatives were beginning to shape China's conceptions of the South China Sea's importance. The chapter concludes with comparative analysis of the three case studies from a military and political perspective.

### A. CHINA'S TERRITORIAL SEA LAW

A law on territorial waters adopted by the Chinese National People's Congress in February 1992 surprised and dismayed many regional actors who had hoped China would cooperate as promised in resolving outstanding territorial disputes. Instead the law was a hard-line expression of China's maritime rights. The articles expressed China's exclusive sovereignty over the Paracels and Spratlys, specified China's right to evict foreign naval vessels from its waters, and authorized the PLAN to pursue foreign ships violating its regulations to the high seas. The law also stated all foreign warships must give prior notification and receive China's permission to pass through China's territorial seas. Not only did these regulations threaten freedom of navigation, they revived regional antagonisms over maritime sovereignty.<sup>70</sup>

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<sup>70</sup> Bilson Kurus, "Understanding ASEAN: Benefits and Raison d'Etre," *Asian Survey*, Vol. 33, No. 8 (August 1993), 836. ASEAN was worried that China intended to contravene the Manila Declaration, which had just ruled out force as a means to resolve the Spratlys dispute.

ASEAN viewed the territorial sea law as an ominous development regarding China's position on the South China Sea disputes. The tenor of the articles suggested China was tightening the screws on its claims. Why was China suddenly taking a more aggressive stance? The most logical explanation turns on China's pressing economic conditions. China's high growth, rapidly expanding heavy manufacturing sector, and rapidly growing transportation requirements led to exploding energy and resource demands in the late 1980s and early 1990s. By 1992, China was on the verge of becoming a net importer of oil. Beijing interpreted multiple joint development schemes sponsored by rival claimants to exploit offshore petroleum in the South China Sea as direct threats to China's long term economic sustainability. The law was a strident warning to its neighbors that they could not exclude China from development of the area's natural resources. The hard-line tone of the Chinese law may have also reflected newfound freedom of action that accrued to Beijing as a result of the American military departure from the Philippines in late 1991/early 1992.<sup>71</sup>

## **B. CASE STUDY III**

### **1. The Third Sino-Vietnamese Fracas at Sea**

China quickly capitalized on the sea writ. Less than a month after the Territorial Sea Law proclamation, Chinese forces landed on Da Ba Dau reef near the Vietnamese-held island of Sin Cowe East Island. A clash of unknown intensity took place between Chinese and Vietnamese forces near Union Atoll on 19 March 1992. Four months later, Chinese marines landed on Da Lac reef on Tizard Bank. As in 1988, the PLA avoided direct assaults on occupied islands and landed on

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<sup>71</sup> Ibid.

uninhabited reefs.<sup>72</sup>

China's unwillingness to forcibly oust Vietnam from its Spratly garrisons reflected continued weaknesses in amphibious assault and air control that plagued China in 1988. In the span of four years, the PLA had not improved its capabilities to the degree that it could successfully conduct an opposed landing against well-defended islands and then sustain a follow-on presence. The PLA simply could not mass an effective force beyond territorial waters without improved command and control, electronic warfare, and especially air support and air defense.

The PLA had attempted to bridge the distance to the Spratlys by constructing an airfield in Woody Island in the Paracels in 1990, but the airfield only closed the gap by 125 miles. China's longest range fighter-bombers like the F-8 FINBACK and A-5 FANTAN could reach the northern cluster of islands, but they had virtually no loiter time. That the PLA was still unsatisfied with its air defense posture was evident in a statement by China's South Sea Fleet Naval Air Force Commander in the wake of the 1992 clash: "[I]n order effectively to control and protect the air over the South China Sea, we must give priority to aircraft capable of long-distance battle and to carrier-based aircraft."<sup>73</sup>

The PLAN had planned to upgrade most of its principal combatants with radar-guided SAM systems, but only two LUDA destroyers in the South Sea Fleet were so equipped. The arming and retrofitting of its fleet with SAM systems had been delayed for several years because France suspended its contract to supply naval CROTALE systems to the PLAN after Tiananmen in 1989. Even if equipped with the missiles, the

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<sup>72</sup> Tai Ming Cheung, "Fangs of the Dragon," *Far East Economic Review* (13 August 1992), 19.

<sup>73</sup> Zhan, 200.

CROTALE's short range (7 NM) was still a distinct liability. To protect an amphibious assault, ships providing air defense would have to remain closely tethered to the amphibious landing force, limiting the navy's ability to maneuver in response to surface-borne threats.<sup>74</sup>

China was even reluctant to strike Vietnamese-held islands in 1992 despite the hobbling of the Vietnamese military following the withdrawal of Russian assistance in 1990. Spare parts shortages, limited fuel availability and maintenance shortfalls in Vietnam had dramatically cut back training and operations for all services. Still, Vietnam continued to be deadly serious about upholding Vietnamese sovereignty in the Spratlys and other potentially oil-rich territorial waters in the South China Sea. Sensing Vietnam would offer heavy resistance, China again avoided striking directly at Vietnam's nerve centers in the Spratlys.<sup>75</sup> (See Table 3 for correlation of forces in March 1992.)

In truth, China's liabilities in seizing and holding islands in the Spratlys may not fully explain its unwillingness to do so. Since the islands themselves held marginal strategic value, China may have been content to simply expand its presence in the archipelago. Why expend national treasure trying to repel the Vietnamese from islands when a nearby uninhabited reef may actually be closer to a petroleum source? If we assume China's interest in the South China Sea was increasingly based on economic factors, it made better sense for the Chinese to avoid violence and occupy reefs they thought sat atop sedimentary structures possibly containing trapped oil or gas.

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<sup>74</sup> Richard Sharpe, CAPT, ed., *Jane's Fighting Ships 1991-1992*, Jane's International Group, 112-117.

<sup>75</sup> "Vietnam: A Changed Role for the Military," Washington, FBIS, July 12, 1992, 1.

## 2. Aftermath

The minor clash between Chinese and Vietnamese forces in March 1992 came as no great shock to the region. In fact, some ASEAN states may have even breathed with relief since China appeared interested in only enforcing the Territorial Sea Law vis-a-vis Vietnam. The incident was viewed as just one more scene in the larger act between the two antipodes. To outsiders, China and Vietnam were playing out their age-old antipathies on a fresh battlefield. China's occupation of an additional two reefs, therefore, received little press and did not arouse ASEAN ire.

MARCH 1992	CHINA	VIETNAM
<b>SURFACE FORCE</b>	Probably 1-2 JIANGHU FF	Unknown: probably auxiliaries
<b>AMPHIBIOUS</b>	Untested at long range	Minimal
<b>FLEET AIR</b>	NO	FITTER or FISHBED
<b>NAVAL AIR DEFENSE</b>	POOR	POOR
<b>COMMAND &amp; CONTROL</b>	POOR-GOOD	POOR
<b>SURVEILLANCE COVERAGE</b>	GOOD (Early Warning radar on Fiery Cross Reef; patrol ships)	GOOD (Signals collection from Cam Ranh Bay, aerial recce)

Table 3. Correlation of Forces in March 1992

## 3. In the Dragon's Jaws at Mischief Reef

Three years later ASEAN was rudely awakened from its reverie. Most of Southeast Asia was quickly electrified by news in January 1995 that China had secretly constructed facilities on Mischief Reef in the Philippine's EEZ. For the first time, China physically appropriated territory from a claimant other than Vietnam. ASEAN's worst fear--that

Beijing was engaged in a long term campaign to recapture the entire area encompassed by its historical claim--had come true. China's occupation of Mischief was ASEAN's epiphany, a revelation of Beijing's real intentions. China's naval expansion was not, as originally thought, aimed at simply curbing Vietnam's territorial goals; it was instead a tool to accomplish Beijing's larger aspirations on the entire archipelago.

China did not anticipate the outcry and level of publicity Mischief Reef received. But what motivated China to even risk such action?

First, the Cold War's passing and the American pullout from the Philippines made Manila less strategically critical to China. Beijing may have reasoned that it could endure a dip in good relations with Manila if it meant gaining a more advantageous position in the Spratlys. Second, discussions in 1993-4 with the Philippines over joint development of gas-rich Reed Bank in the northeast corner of the Spratlys had been unsuccessful. In mid-1994, Manila leased a block to Alcorn in Reed Bank for oil studies, giving Beijing the impression Manila was intent on unilaterally exploiting the region's natural resources. China probably decided physically occupying Mischief Reef would place Beijing in a better position to protect its petroleum rights in the eastern half of the Spratlys. (As you can see in Figure 4, Mischief Reef is strategically positioned in the lower middle section of the Alcorn concession, enhancing the PLA's claim to potential finds in that area. Mischief is also well-placed to perform surveillance of any future oil exploration missions sponsored by rival governments.) Third, China's occupation of two additional reefs in 1992 to the relative indifference of ASEAN may have assured Beijing that unoccupied reefs were easily fleecable.

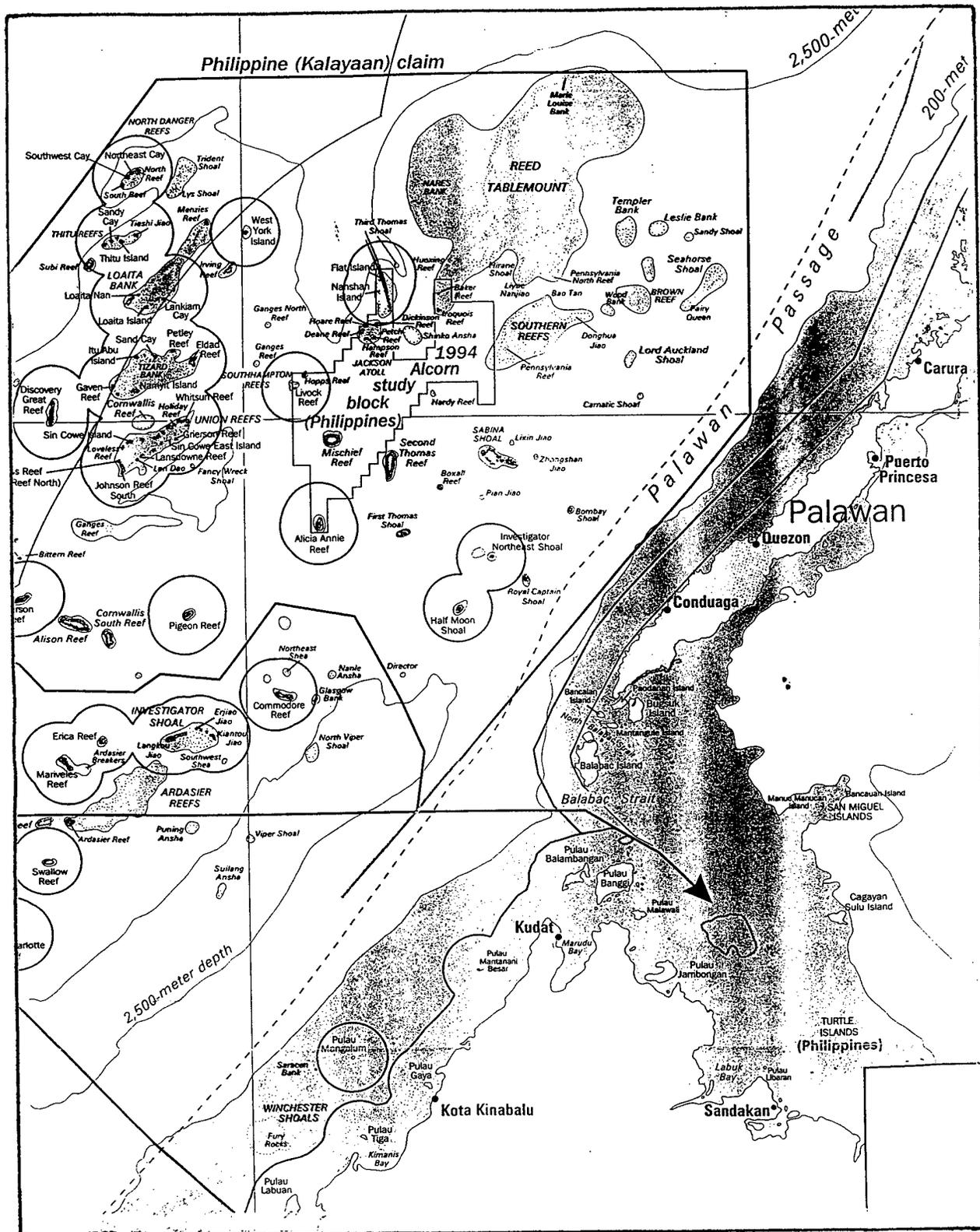


Figure 4. Northeast Spratlys with Alcorn Study Block (From Ref. CIA map 737328)

China calculated correctly that the Philippine military was too weak to thwart China's advances. Using the cotton-covered needle approach that worked so well in 1988, China quietly began building structures on the reef, hoping to be well entrenched before Philippine authorities could react. As plausible cover for its acquisition, China concocted a story about protecting Chinese fishermen from inclement weather.

China almost pulled it off. The occupation occurred at a time when Philippine military power was at a nadir. President Ramos had channelled moneys slated for defense into domestic programs designed to bring the nation back onto an even economic keel. The departure of the U.S. military (and withdrawal of military assistance funds) had eviscerated Manila's modernization plans years earlier.<sup>76</sup> The Philippines most potent air force weapons were five F-5s that could not dogfight, and the naval fleet was a floating World War II museum. The Philippines surveillance capabilities were so poor that the first reports of China's occupation of Mischief came from Philippine fishermen.<sup>77</sup> A reconnaissance ship sent to investigate the situation foundered before it came in range of the reef. China held an unquestionable tactical advantage in arms.<sup>78</sup> (See Table 4 for the correlation of forces in February 1995.)

Unable to militarily evict China from Mischief, the Philippines expressed its outrage through the media. The

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<sup>76</sup> Kurus, 842.

<sup>77</sup> A Philippine General admitted that the Chinese construction occurred during the typhoon season when the Philippine Air Force could not conduct surveillance. Abby Tan, "Chinese Forts Rise From Sand to Build the Spratlys Tension," *Sydney Morning Herald* (May 17, 1995).

<sup>78</sup> Recto L. Mercene, "Trying A New Tack," *Philippines Free Press* (11 March, 1995), 10.

government ferried a group of journalists out to the reef on a helo-equipped LST. Suddenly, the ripple emanating from Mischief reached tidal wave size. Chinese expansionism was laid bare, and it incited fear and suspicion among Southeast Asian governments, which for years had been willing to believe China's dulcet promises to resolve sovereignty issues through friendly discussions.<sup>79</sup> Mischief Reef was tangible proof of China's hegemonic inclination. Beijing had miscalculated at significant political cost.<sup>80</sup>

<b>FEBRUARY 1995</b>	<b>CHINA</b>	<b>PHILIPPINES</b>
<b>SURFACE FORCE</b>	2+ FFs, amphibs, auxiliaries	Amphibs, auxiliaries
<b>AMPHIBIOUS CAPABILITY</b>	Probably adequate lift for long range unopposed landings	POOR
<b>FLEET AIR COVER</b>	NO	NO
<b>NAVAL AIR DEFENSE</b>	POOR	VERY POOR
<b>COMMAND &amp; CONTROL</b>	POOR-GOOD	VERY POOR
<b>SURVEILLANCE COVERAGE</b>	GOOD	VERY POOR

Table 4. Correlation of Force February 1995

China may have won at tactical victory at Mischief by extending and maintaining its gain in the eastern reaches of the Spratlys system, but the strategic price has been very costly. No longer can Beijing maneuver in the shadows; international spotlights mounted on various multilateral tiers (i.e., ASEAN Regional Forum (ARF) discussions and Track

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<sup>79</sup> Chen, 901.

<sup>80</sup> After the Mischief incident, President Ramos even went so far as to propose an alliance of medium-weight Asia-Pacific powers (Australia, New Zealand and the ASEAN states) to counterbalance the region's major powers, notably the PRC. Michael Richardson, "Asian States Ponder Defense Strategy," *International Herald Tribune* (August 23, 1995), 1.

II workshops designed to ensure peaceful resolution to the dispute) promise to expose any untoward movements by any of the various claimants. Mischief Reef was a watershed event not only because it captured regional and world attention, but also because it permanently affixed to the territorial polemic a high degree of political visibility.

### C. COMPARATIVE ANALYSIS OF CASE STUDIES

#### 1. Military Windows of Opportunity

After close examination of the three case studies, several patterns emerged regarding the character and timing of China's physical advances in the South China Sea. First among these was the PLA's tactic of only engaging in battles it could win. In the 1930s, Mao had cautioned, "Fight no battle unprepared, fight no battle you are not sure of winning."<sup>81</sup> Where China could not defeat an opponent and consolidate the victory by dint of its combined arms capabilities, the effort was not to be undertaken. This concept of only advancing within one's military *arc of sustainable defense* explains, in part, China's dilatory response to encroachments in the Spratlys throughout the late 1970s and 1980s.<sup>82</sup> In 1974, the proximity of the Paracels to mainland China and correlation of forces that favored the PLA over the RVN slid open a military window of opportunity. Today, the aperture has yet to open wide enough for the PLA to operate from a position of superiority in the Spratlys. In late 1993 a senior Chinese officer explained what would

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<sup>81</sup> Orville Schell, "How to Talk to China," *The Nation*, Vol. 262, No. 7 (February 19, 1996), 22. Mao's wisdom was far from original. Sun Tzu had written 2300 years earlier, "He who knows when he can fight and when he cannot will be victorious."

<sup>82</sup> Schrader uses the phrase "arc of sustainable defense" on page 19.

happen even if the PLA were successful in assaulting islands in the Spratlys:

After you chased them away, if too many people are stationed there it will not do. If too many are stationed there, you will not be able to supply them. Thus if you leave, they will come again. Once they come back, you will have to fight again and if your number is small you will not be able to win and they will occupy the place again. In this way, it is not worth it, not worth it.<sup>83</sup>

China has not assaulted any Vietnamese-held islands there because they all fall outside the PLA's "arc." Sensitive to its own weaknesses in amphibious lift, air support, air defense, command and control, and sustained long distant operations, the PLA views any attack on defended islands as foolhardy and premature. In lieu of an all-out offensive in the Spratlys, the PLA was consigned to taking unoccupied reefs. China still occupies no islands in the Spratlys.<sup>84</sup>

The manner in which the PLA acquired reefs suggested China wanted to expand its claims with as little fanfare as possible. Using deceptive cover (posing as fishermen or scientists) to mask its actions, China sought to quietly annex strategically positioned reefs. At the heart of this policy was China's intent to present regional states with a *fait accompli*. Beijing aimed to consolidate its holdings on the reefs before foreign military forces could intervene. China's successful capture of the Paracels in 1974 was

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<sup>83</sup> Senior Colonel Liu Sheng'e, Associate Professor of Nanjing Political Academy, lecture at Hopkins Nanjing Center, Nanjing, October 1993.

<sup>84</sup> Over the last five to ten years, China may have been able to capture several islands from Vietnam, but it is very unlikely the PLA could have held these territories without suffering prohibitive losses in a Vietnamese counterattack. This datapoint is particularly poignant when one compares Vietnam's fighter-bomber capabilities in the Spratlys to the PLAN's relative weaknesses in air defense.

probably held up as a classic case of outmaneuvering future opponents (Hanoi and Moscow) before they realized what had been taken from them.

The PLA also had sound tactical reasons for conducting low-profile operations. The PLA did not wish to see a crisis escalate and spill over into another deleterious border war with Vietnam. That China exhibited self-restraint is best exemplified by the PLA's controlled and measured responses to months of harassment in 1988. In fact, a clash may not have occurred if Vietnam had not brazenly fired on Chinese survey teams on Johnson Reef. It is interesting to note that after the 1988 and 1992 clashes, China made no attempt to take further punitive action against Vietnam's forces. The PLA's prime directive appeared to be to establish a presence with minimal noise.

Another military window involves weather. During the typhoon season between June and November and the wettest monsoon season between May and September, naval operations around and activity on the islands and reefs of the South China Sea is significantly curtailed. A quick glance at the case studies shows tensions and conflict peak between January and March, during the season of calm weather. Military operations around reefs and islands are more likely to be executed during this timeframe, when the wind and waves die down to levels conducive to operations around archipelagic shallows.

Before the PLA can further pry open a tactical window of opportunity in the southernmost areas of the South China Sea, it must acquire and integrate modern Western technology into its frigates and destroyers, expand its afloat support forces (i.e., AORs), perfect airborne refueling operations, acquire long range aircraft and perhaps buy airborne early warning platforms and/or aircraft carriers. Liu Huaqing's "offshore defense" strategy and the "local war" doctrine legitimate

these pursuits.<sup>85</sup>

## **2. Political windows of opportunity**

Even under ideal military conditions, China's ability to advance further into the South China Sea is subject to international political circumstances. In 1974, China exploited a divided and distracted Vietnam to capture the Paracels and deny its use by adversaries. In contrast, from 1979 to 1986 Beijing probably felt it could not confront Vietnam in the Spratlys for fear of pulling Hanoi's patron, the Soviet Union, into the imbroglio. Throughout the Cold War, too, China's strategic imperative to maintain the support of its "friends" in Southeast Asia eliminated any prospects for the PLA to take action against Malaysian and Philippine forces before they occupied and fortified islands and reefs in their respective claimed regions. In reviewing the occasions on which China did advance its claims by resorting to physical occupation, Beijing appeared to act only when a rival claimant was strategically isolated and economically weak.

China's willingness to assert itself in the South China Sea is inextricably linked to Beijing's fear its neighbors will form regional alliances that could limit China's freedom of action. Beijing took action only after rival states' extra-regional commitments had been weakened, and their efforts to build a united front against China fizzled. For example, China attacked the Paracels after the U.S. pulled its troops from South Vietnam and Saigon was left to fend for itself. Advances in the Spratlys in 1988 and 1992 occurred after Moscow expressed a stronger commitment to Beijing than did Hanoi. And the U.S. withdrawal from the Philippines and

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<sup>85</sup> Sam Bateman and Dick Sherwood, ed., *Australia's Maritime Bridge into Asia* (St Leonards: Allen & Unwin Pty Ltd, 1995), 117.

its declining strategic investment probably encouraged China to occupy Mischief reef in 1995. Reduced commitments from erstwhile allies opened political windows for China.<sup>86</sup>

The minimal amount of trade between China and Vietnam and China and the Philippines also played into Beijing's strategy. These nations were not heavy investors or significant trade partners in mainland China, nor did Beijing see these Southeast nations as critical markets for its exports. Encroachments in the South China Sea that came at the expense of Vietnam and the Philippines would, therefore, not disrupt China's modernization plans. Anemic economic claimants are acceptable targets of China's expansionism.<sup>87</sup>

The case studies detailed above highlight the military and international political conditions under which China resorted to action in the South China Sea. But comparative military strengths and political feasibility only partially explain why, when and how China employed force to acquire territory in the South China Sea. The next chapter focuses on the degree to which economic factors influenced Beijing's decisions to advance its claims. Has competition for natural resources in an era of growing dependency on offshore oil and fishery-sourced food been the *casus belli* for conflict in the South China Sea?

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<sup>86</sup> U.S. officials publicized the fact that Washington took no position on the legal merits of competing claims in the Spratlys, and that the Mutual Defense Treaty with Manila did not cover attacks against Phillipine-held territories in the archipelago.

<sup>87</sup> According to John Leger in "Come Together: Investment and Trade Links in Asia," China is prioritized fourteenth for Philippine's foreign investment. The Philippines is not among China's top fifteen investment locations. (*Far East Economic Review*, October 12, 1995)

## **VI. CHINA'S GROWING DEPENDENCY ON OFFSHORE RESOURCES**

While sovereignty remains a constant variable in all Chinese moves in the South China Sea, economic calculations also appear to factor into China's decision to defend its claims in the region. I intend to show in this chapter that the level of China's dependency on offshore natural resources, such as petroleum or fishery-sourced food, is directly proportional to its willingness to take action where encroachments in the South China Sea might involve the plundering of marine resources. Economic considerations weighed in China's decision to physically advance its claims in each of the case studies: China invasion of the Paracels in 1974, and its occupation of nine reefs in the Spratlys in 1988, 1992 and 1995. But based on close examination of the type of threats perceived by Beijing, economic calculations factored *more decisively* in China's advancements in 1992 and 1995. This chapter attempts to determine the importance of the South China Sea to China's economic needs. It also addresses how economic threats affect China's willingness to use forceful means to back its claims.

The confidential nature of Chinese decisionmaking makes it difficult to precisely measure the degree to which economic factors influence the Politburo. However, the importance Beijing placed on natural resources can be inferred by studying the manner in which it responded to economic challenges, and China's overall reliance on offshore resources to fuel its economy and feed its people.

### **A. THE SEARCH FOR BLACK GOLD**

Offshore petroleum exploration is a relatively recent phenomenon in Asia. The first seismic surveys in Asian waters were conducted under U.N. auspices in 1968, revealing

hydrocarbon potential in the Yellow and East China Seas. Japan, South Korea and Taiwan were quick to capitalize on the prospect and formed a consortium to develop offshore oil in those areas in 1970. Though China had begun offshore seismic surveys in 1969, the sudden interest by foreign nations in exploiting the seabed resources just off China's northeast coast spurred Beijing into action. It immediately protested the consortium's actions and doubled its efforts to conduct its own surveys and explorations. China began close-to-shore drilling in the Bohai Gulf in 1971 and purchased a jack-up rig from Japan in 1973. Still, China lagged behind its competitors by a significant technological margin throughout the 1970s.

The dramatic oil price hikes beginning in early 1973 catalyzed Asian nations already in the hunt for oil to expand oil exploration and production on all fronts.<sup>88</sup> The interest in developing offshore resources quickly added an economic dimension to longstanding territorial disputes in the region.

China's awareness of its technological backwardness in offshore oil production, coupled with the rush by other regional states to establish joint ventures for oil exploration in adjacent waters, heightened Beijing's sense of losing out. The search for black gold was reviving China's perceptions of territorial vulnerability. Unable to compete, Beijing feared being victimized as it had during China's "century of shame." South Vietnam's declaration in July 1973 that it had awarded to a host of foreign oil companies eight oil exploration tracts in the South China Sea was a worrisome development in Beijing's eyes. That it followed two months later by Saigon's annexation of the Spratlys prompted Beijing to act. In its mid-January 1974 statement issued to South

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<sup>88</sup> Daniel Dzurek, *The South China Sea: A Sea of Troubles* (Geographic Research Study, November 1983).

Vietnam, the Chinese declared unequivocally that they had indisputable sovereignty over the South China Sea islands and that "the natural resources in the sea area around them also belong to China."<sup>89</sup> A week later the PLA ousted the RVN from the Paracels altogether.

Beijing may have used military force for either of two reasons: (1) China undertook preemptive action to deny future use of the Paracels as a forward military base for Hanoi and its allies, and/or (2) China felt its offshore natural resources would be imminently plundered. The interplay of the two threats probably influenced Beijing's decisionmakers, but I posit the geopolitical rationale far outweighed the natural resources argument as a justification for using military force in 1974.

In the early 1970s offshore oil could not have been a chief incentive for China to go to war. Although some Southeast Asian countries like Indonesia and Brunei were already pumping high-grade oil from offshore production sites, the existence of offshore oil in the Paracels was unproven at that juncture. No detailed seismic surveys, let alone serious exploration drilling, had been performed off China's southern coast before 1974. Furthermore, there were many other more obvious and easily accessible sources of crude oil in mainland China. In fact, as a result of its large reserves in Northwest China, Beijing handsomely profited from the rise in oil prices in 1973. "The Chinese, if pressed, admit that they have the third largest proven oil reserves after America and Saudi Arabia in the world," stated the London *Sunday Times* in May 1974. China's petroleum production from onshore sites was so prodigious in that year, China surpassed Indonesia as South and East Asia's top

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<sup>89</sup> Kim Sam-0, "Hands Across the Seabed," *Far East Economic Review* (February 18, 1974), 39-40.

petroleum producer.<sup>90</sup> While Beijing recognized the future potential for offshore exploration and took steps to stay in the game, it certainly was not willing to risk a major conflict over phantom hydrocarbon deposits. Hence, geostrategic considerations probably had an intrinsically greater influence on Beijing's decision to fight in the Paracels.<sup>91</sup>

### 1. Beijing as Competitor for Offshore Petroleum

Within a few years, China's interest in offshore oil exploration was piqued by a series of successful joint ventures sponsored by almost all Southeast Asian nations. Oil was discovered in 1976 at Reed Bank, midway between Palawan and the Spratlys, and developed by the Philippines beginning in 1979. Indonesia's offshore oil production, which began in 1970, accounted for thirty-five percent of Jakarta's total oil output in 1979. Moreover, Malaysia's offshore oil production doubled each year throughout the 1970s. Eager to welcome back concessionaires, Hanoi also oversaw the resumption of drilling in 1976 with a six-well offshore program. In 1981, after Western oil companies pulled out due to rigid contract terms and disappointing finds, Vietnam and the Soviet Union formed a joint venture to explore and exploit hydrocarbons from Vietnam's southern continental shelf, striking oil three years later.<sup>92</sup>

The significance China attached to these events is best exemplified by its reactions. After oil was struck in Reed

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<sup>90</sup> Michael Morrow, "Oil: Catalyst for the Region," *Far East Economic Review* (December 27, 1974), 26.

<sup>91</sup> Samuels.

<sup>92</sup> Mark J. Valencia, *South-East Asian Seas: Oil Under Troubled Waters* (Oxford: Oxford University Press, 1985), 32-38.

Bank in 1976, China warned the Philippines "encroachments on Chinese territorial integrity and sovereignty are unpermissible."<sup>93</sup> In April 1979, shortly after Vietnam leased a concession to Amoco in a disputed area in the Gulf of Tonkin, China declared four "danger zones" near Hainan and the Paracels and banned all overflights. Vietnam and the International Civil Aviation Organization protested because the declaration necessitated the closing of a major commercial air corridor, but the "danger zones" stayed in effect for four months. China also conducted naval and air exercises in the region.<sup>94</sup> China soon realized the only viable way it guard against future infringements in its territorial claim areas would be to plant its own offshore stakes.

Southeast Asia's successes in offshore development and a decline in China's domestic oil production in 1980 figured prominently in Beijing's decision to seek foreign assistance in developing its offshore fields. In February 1982, Beijing established the China National Offshore Oil Corporation (CNOOC) to coordinate contracts with foreign oil companies on behalf of the State Council. Seven months later, the first of many cooperative ventures was signed. These joint ventures concentrated their activities in the Gulf of Tonkin and off the mainland coast (particularly in the Pearl River Basin adjacent to Hong Kong). China's leaders were buoyed by reports that almost a fifth of all estimated Chinese oil

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<sup>93</sup> B. Wideman, "Manila, Hanoi at odds over isle oil," *Honolulu Star-Bulletin and Advertiser* (June 18, 1977), A-14.

<sup>94</sup> Mark Valencia in *Oil Under Troubled Waters* (pg. 100) attributes China's declaration of "danger zones" to the leasing of oil blocks in the Gulf of Tonkin, but the dates of closure also overlap China's invasion of Vietnam in December 1979. The duration of closure probably related more to China's concerns about Soviet naval operations in the area.

potential lay on its continental shelf.<sup>95</sup>

Dwindling onshore petroleum production was a major consideration in China's new emphasis on offshore production, but exploiting resources on the continental shelf was attractive for other reasons. Not only were the offshore fields closer to consumers--industrial and population centers, but they were less vulnerable than the onshore fields in northeast and northwest China to potential Soviet attack. The improved quality of the crude lifted from the South China Sea seabed (the oil was less waxy and sulphuric) also reduced the processing burden on China's heavily taxed oil refineries. Finally, China's contracts with foreign companies to explore and exploit offshore zones legitimized and bolstered China's claim to them.

## **2. Oil Demand Outstrips Domestic Production**

In the years preceding China's occupation of reefs in the Spratlys and clash with the Vietnamese Navy in March 1988, China's booming economy and the demand for refined petroleum products threatened to outstrip China domestic production capacity. A growing discrepancy emerged between China's energy supply and demand after 1984. The situation was exacerbated by a decline in foreign investment in offshore oil exploration in 1986. In early January 1988, economists calculated:

There is no way a three percent year growth in oil production can feed sustained growth in refined products demand of six to eight percent per year or growth in demand for light and middle distillates of eight to twelve percent per year.<sup>96</sup>

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<sup>95</sup> Dzurek.

<sup>96</sup> "China's Petroleum Exports Face Slide," *Oil and Gas Journal* (January 4, 1988), 20.

Oil experts estimated China could sustain its 1986 oil production level through at least 2020, but the expanding consumption requirements of the Chinese economy suggested China would have to begin importing oil within the decade.<sup>97</sup> A shortage of energy became one of the most important factors retarding economic growth, and the Chinese turned their attention increasingly to offshore areas, including the South China Sea, which they believed offered outstanding geological conditions for abundant oil and natural gas resources.<sup>98</sup>

China's leaders were also eager to find additional sources of petroleum so that they could convert inefficient coal-burning industries into modern, high-tech factories. The nation's dependency on coal is so profound (China relies on coal for nearly 80 percent of its energy<sup>99</sup>) that it currently acts as a brake on China's rapidly developing economy. Beijing's leaders consider petroleum *sine qua non* to Beijing's modernization plans. Without additional domestic sources of energy, not only will China be prevented from streamlining its industrial base, Beijing may find itself in the untenable position of relying on foreign suppliers for its lifeblood.<sup>100</sup> If the PRC grows as quickly as many expect in the next twenty to thirty years, China will experience tremendous resource pressure--a situation undoubtedly considered by Beijing in the early 1980s.

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<sup>97</sup> Joseph P. Riva Jr., "Oil distribution and production potential," *Oil and Gas Journal* (January 18, 1988), 60.

<sup>98</sup> Chen, 895.

<sup>99</sup> Hisane Masaki, "Can Japan Make Neighbor Clean Up?" *Japan Times Weekly* (Tokyo, July 17-23, 1995).

<sup>100</sup> China is endeavoring to diversify its energy sources and has pushed for greater exploitation of natural gas, nuclear and hydroelectric power as well.

(Figure 5 charts China's oil import-export trends.)

Against the backdrop of potential energy shortfalls, China's response to Vietnam's April 1987 occupation of one of the largest reefs in the Spratlys, Barque Canada, was doubly vitriolic. China demanded Vietnam's immediate withdrawal from Barque Canada and nine other islands in the archipelago. Noting that Soviet-Vietnamese economic cooperation had previously identified continental shelf oil exploitation as a key project, the Chinese asserted that "Vietnam's purpose in illegally dispatching troops to [Barque Canada] is to occupy the continental shelf nearby and pave the way for its future exploitation of oil."<sup>101</sup> China was aware the Spratlys had very good oil prospects as early as 1982, when the then president of China's geological society made favorable predictions about oil exploitation in the region.<sup>102</sup> Although Beijing did not have the technological know-how in the late 1980s to exploit petroleum in this region, China's leaders could not sit idly by while an archrival plundered the PRC's cherished offshore troves. To Beijing, competition for offshore resources in the South China Sea was a zero-sum game--Vietnam's gains translated to China's losses. Several months after Vietnam landed on Barque Canada, the PLAN began to survey outposts for construction in the archipelago.

While it remains unclear what criteria China used to select the six reefs it took over by April 1988, they may have been occupied specifically to undermine rival claims to prospective resources nearby. The occupied reefs are dispersed throughout a number of small archipelagos (Laoita Bank, Tizard Bank, Union Reefs and London Reef). By landing on reefs near islands and reefs held by other claimants,

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<sup>101</sup> Day, 376.

<sup>102</sup> Valencia, 101.

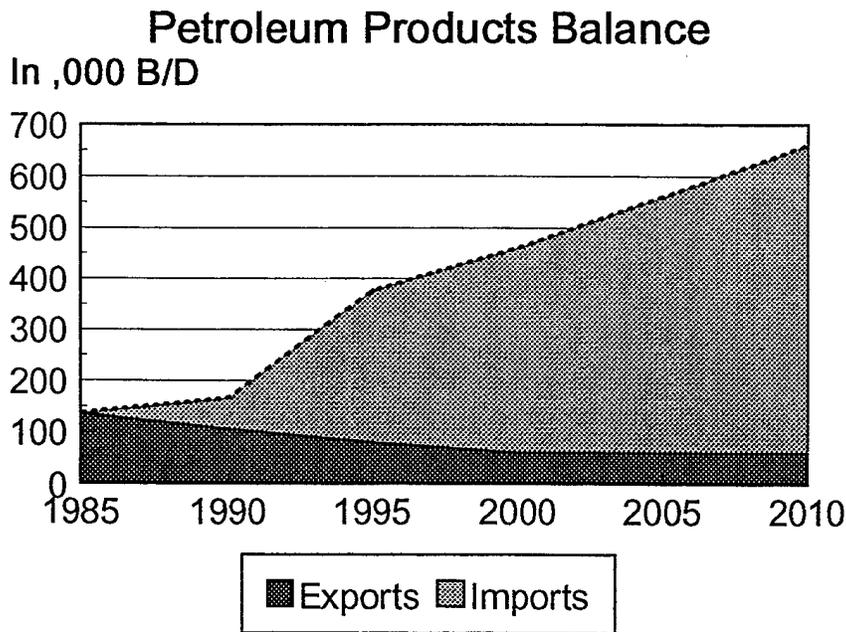
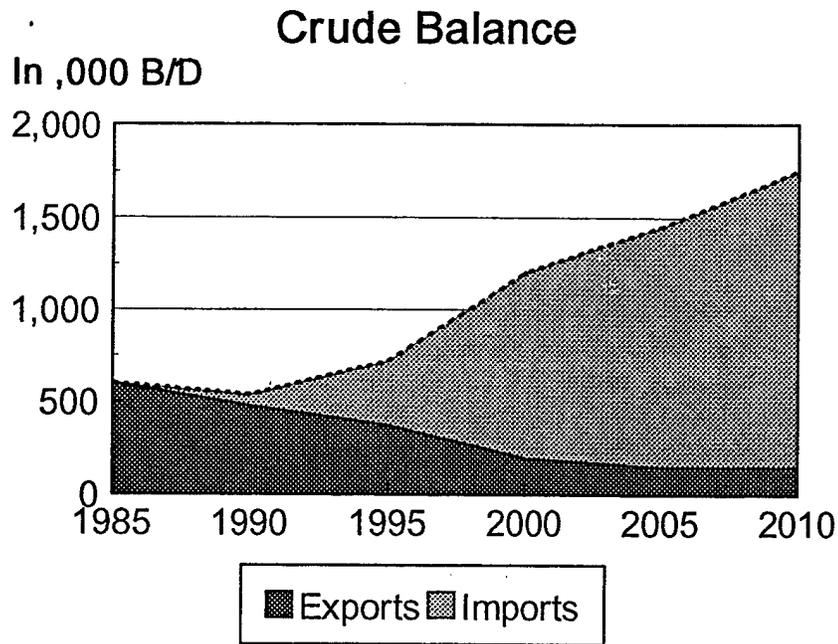


Figure 5. China's Oil Imports (Office of Naval Intelligence)

China probably intended to supersede, or at least neutralize, their presumed legal rights to the surrounding seabed and water column. The only reef apart from other claimants, and this for defensive purposes, is Fiery Cross, the PLA "headquarters" in the Spratlys.

The large number of scientists China included in the investigation teams prior to occupation further suggests China may have chosen the reefs based on geological suitability and proximity to sedimentary structures thought to contain trapped hydrocarbons.

In short, Beijing's economic priorities in the latter half of the 1980s gave a new sense of urgency to its maritime claims. Awakened to the limitations of existing petroleum production, China sought to deter foreign encroachments and reserve the region for future exploration, when its extraction capabilities would catch up with its intentions.

### **3. China's Reaction to Resource Threats in 1992**

As indicated in the previous chapter, one of the main reasons China promulgated the Territorial Sea Law in February 1992 was to warn Southeast Asian nations actively engaged in offshore production they could not exclude China from development of the area's natural resources. By 1992, almost all Southeast Asian nations were heavily involved in oil exploration off their coasts. A joint venture sponsored by the Philippines had recently discovered additional sources of oil off Northwest Palawan Island. Malaysia was producing oil from ninety wells in 1992, about half the offshore region's total active wells. Vietnam was emerging as a major regional oil producer, with its offshore production surpassing China's by mid-1992. And a month before China passed its sea law, Vietnam and Malaysia announced their mutual interest in joint development of the oil reserves in the sea where their claims

overlapped.<sup>103</sup> Revised geological surveys by the Chinese Ministry of Geology and Mineral Resources led to speculation that the Spratlys archipelago could contain substantial hydrocarbon resources (as much as 105 billion barrels of oil equivalent, an amount greater than China's on-shore reserves). The area surrounding James Shoal was also estimated to contain upwards of 90 billion barrels of oil.<sup>104</sup>

Perceived oceanic transgressions by the riparian states in Southeast Asia, coupled with China's shifting status from oil exporter to net importer in the early 1990s, convinced Beijing it needed to become more proactive in asserting its rights over a potentially world-class petroleum field in the Spratlys. China's goals were transparent to its neighbors. President Lee Teng-hui of Taiwan commented in 1993, "The Chinese Communists want access to the South China Sea, since the amount of petroleum there could exceed that under the North Sea."<sup>105</sup> At the very minimum, China was impelled to construct bulwarks to fend off continued ravagement by Southeast Asian nations.<sup>106</sup>

China's measures included increasing its naval presence and occupying two additional reefs in the Spratlys in

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103 Kurus, 837.

104 Garver, 1015. American geologists speculate the Spratlys probably contains one to seventeen billion tons of petroleum, mostly natural gas. See Mark Valencia "China and the South Sea Disputes," 10-11. Of note, Russia's Research Institute of Geology of Foreign Countries estimated in 1995 the Spratlys contains roughly six billion barrels of oil equivalent, seventy percent of which would be natural gas.

105 Lee Teng-hui, "Asian-Pacific and America," *Sino-American Relations* (Taipei), Vol.19, No. 3 (Autumn 1993), 12.

106 "Territorial Disputes Simmer in Areas of the South China Sea," *Oil and Gas Journal* (July 13, 1992), 20-21.

February and July of 1992. Though no direct economic benefits accrued from occupying these reefs, it is revealing to note Da Ba Dau reef was the easternmost reef yet occupied by the PLA in the Spratlys. The reef was so diminutive and close (just east) to Vietnam's Sin Cowe East Island, its occupation suggested China was trying to trump Vietnam's claims to resources in the eastern part of the archipelago. The PLA seemed to be trying to put a cork in Vietnam's bottle.<sup>107</sup>

The near simultaneous events of China's declaration of the Territorial Sea Law, the occupation of two reefs in the Spratlys and the minor skirmish with Vietnamese naval units reflected China's heightened sensitivity to resource invasions in the South China Sea. Beijing realized it had to assert itself more forcibly if it were to gain a stronger voice in determining how or if resources would be divided in offshore areas. At stake was China's modernization program and the finite fuel resources at its disposal to maintain industrial momentum. Beijing's proclamation on ownership and physical advances in the Spratlys in 1992 were spokes in a wheel: at the hub lay China's unbending approach toward territorial sovereignty; traction was provided by the PLAN's growing power projection capabilities; and the revolutions were being driven by China's economic engine.

#### **4. Claims Asserted Via Joint Development Scheme China's new emphasis on controlling petroleum**

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<sup>107</sup> The two reefs occupied by the PLA in 1992--Da Ba Dau and Da Lac in Tizard Bank--may have only been temporary acquisitions. Contemporary sources credit China with only seven other reefs. China may have realized that under the U.N. Convention on the Law of the Sea, manmade structures on reefs do not qualify as islands and cannot have their own Economic Exclusion Zone. In other words, occupation was not tantamount to ownership of adjacent seabed resources. For this reason, the PLA may have not bothered maintaining outposts on the two diminutive reefs.

exploration in distant waters was manifest in an unprecedented cooperation contract between CNOOC and Crestone Energy Corporation in May 1992. The contract called for joint exploration in a 25,000 square km block in the southwest perimeter of the Spratlys archipelago, just inside the China's sweeping historic claim line (see Figure 6). The contract was significant not only for its sheer technological ambitiousness,<sup>108</sup> but because it violated a standing agreement among the six claimants to the Spratlys to defer development in the area until their disputes had been resolved. Consistent with past tactics of furnishing legitimate cover for its actions, China used Crestone to reaffirm and internationalize its title.

China justified its actions by pointing to Vietnamese exploration activity directly west of the Crestone block. Hanoi insisted the Crestone concession was illegal because it fell on Vietnam's continental shelf, but confined its protests to Beijing. Vietnam avoided chastising the U.S. oil company because Hanoi thought it might ruin its chances of having the U.S. trade embargo lifted. Vietnam's timidity allowed Beijing to leap through another political window of opportunity.<sup>109</sup>

##### **5. China's Economic Motivations Explain Mischief**

That China was conducting a more assertive policy aimed at satisfying its twin concerns of sovereignty and energy helps explain Beijing's actions in the Southwest Spratlys where oil prospects were roseate. But why did Beijing decide

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<sup>108</sup> The water was so deep in most of the contract block that exploration would present major technological challenges, even to the most well-equipped and experienced wildcatters.

<sup>109</sup> Michael Richardson, "Strategic Signpost for Asia," *Asia-Pacific Defence Reporter* (January, 1995), 50.

to occupy Mischief Reef in the Philippines claim zone, where prospects were relatively meager? Beijing seemed to be throwing a lot of political capital to the wind by penetrating so deeply into the Philippine EEZ in 1995.

The best explanation returns to China's perceptions of economic threats and China's desire to preempt exploration by foreign companies that would leave China the net loser in terms of territory and resources. China's occupation of Mischief Reef was not a bolt from the blue. It was preceded by a logical chain of events beginning with a fallout with the Philippines over exploration in the northeast region of the Spratlys.

After joint development talks between China and the Philippines over gas-rich Reed Bank broke down in early 1994, Manila decided in May to grant a six-month oil exploration permit to an American oil company. The Philippines was interested in collecting additional seismic data on the seabed southwest of Reed Bank. Manila hoped the contract would remain a secret, but news of the collaboration soon leaked. Beijing swiftly issued a statement reaffirming China's sovereignty over the area covered by the license, and ignored Manila's belated invitation to become a partner in the project. Manila back-pedaled on the diplomatic front for weeks, but the damage had been done. By secretly licensing a solo exploration effort without consulting the Chinese, the Philippines had appeared to be engaging in unilateral efforts to exploit the natural resources of the Spratlys.<sup>110</sup>

Manila's untrustworthiness proved, China decided to advance eastward to a perch that allowed China better surveillance coverage of possible Philippine-sponsored oil

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<sup>110</sup> China probably was further aggravated by an additional resource encroachments to the south, where in November 1994 Exxon signed a \$35 billion deal with Indonesia to develop gas fields north of Natuna Island (within China's historic claim zone).

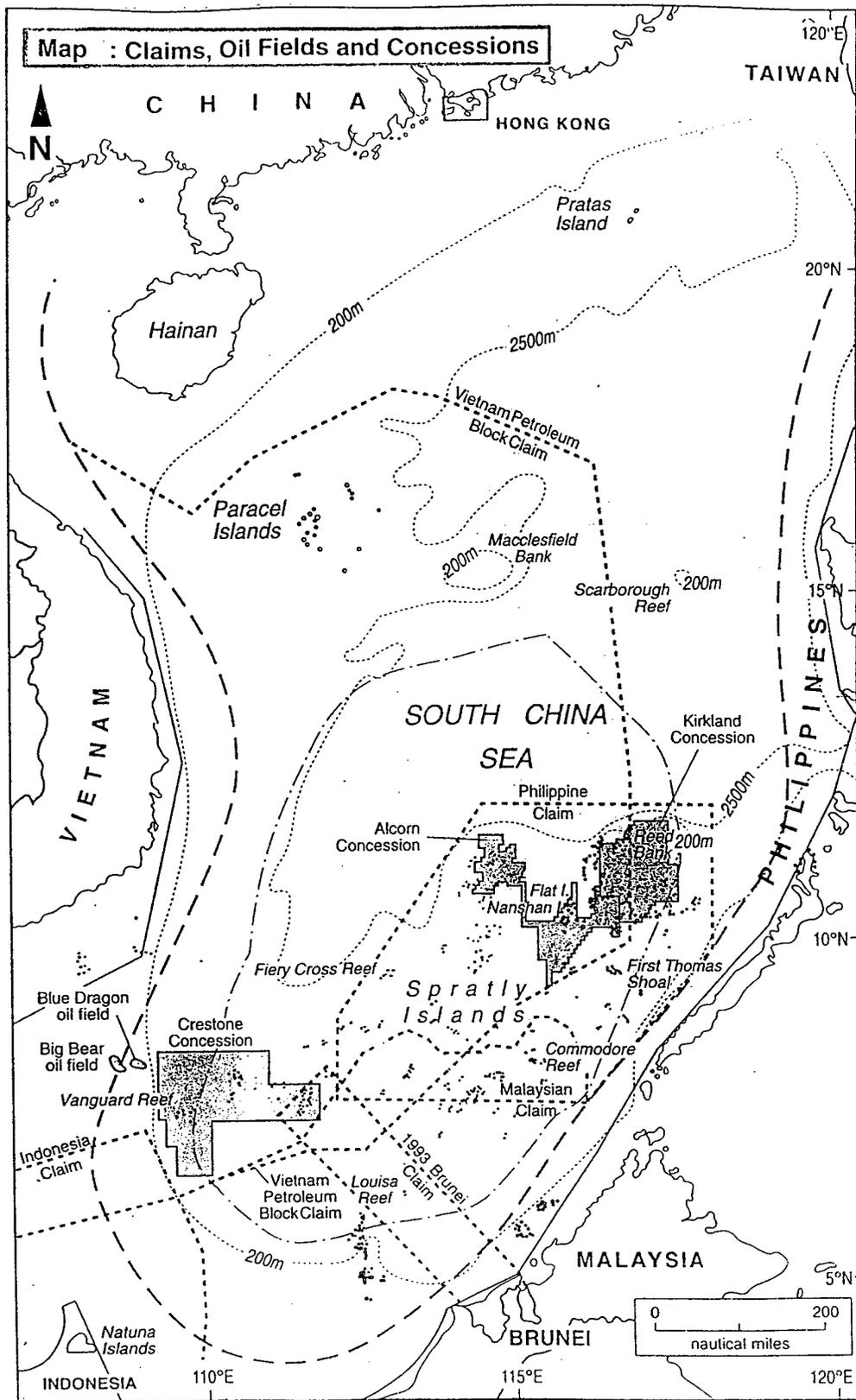


Figure 6. Claims, Oilfields and Concessions (From Ref. Mark Valencia, "China and the South China Sea Disputes," Oct 1995)

exploration activity.<sup>111</sup> China was forced to show it was not sleeping on its rights. Occupying Mischief Reef also strengthened China's hand were petroleum ever to be discovered in the area. Though the Chinese post on Mischief Reef were not discovered until February 1995, the advanced stage of the buildings indicated construction had begun in the fall of 1994, just a few months after Manila's *faux pas*. China quietly advanced eastward because it believed it was acting in defense of urgent economic and territorial imperatives, and it was anxious to stop the plundering along its periphery.<sup>112</sup>

#### **B. THE INCREASING IMPORTANCE OF FISHERY-SOURCED FOOD**

Rich hydrocarbon deposits and China's hungry economy lured Beijing to the sea, but other ocean resources are gradually becoming more important to China's national health as well. Fishery-sourced food, for example, has emerged as a provisional source of nutrition that could partly compensate for relative declines in agricultural output. As China's population distends, China will become increasingly dependent on the fishing industry to feed its people.

Until recently, agricultural production had been able to satisfy the basic human nutritional needs of the whole nation. Large-scale capital construction on farmland and investment projects to modernize agricultural equipment were undertaken in the late 1970s and led to hefty crop yields throughout the 1980s. The introduction of advanced agricultural technologies also increased the output value of many products. In fact, the output of some major Chinese

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<sup>111</sup> Examination of available charts shows Mischief Reef in the southwest corner of the block licensed for survey by Manila in May 1994.

<sup>112</sup> Rigoberto Tiglao, "Troubled Waters," *Far East Economic Review* (June 30, 1994), 20.

agricultural products ranked first in the world in 1990.<sup>113</sup>

The limiting factor to China's agricultural productivity is the area of cultivable land. The amount of arable land in China is very small, approximately ten percent of China's land mass.<sup>114</sup> In addition, about half of the cultivable land area is of low quality due to conditions such as soil salinity-alkalinity, falling water tables, erosion and desertification. Floods, sandstorms and drought are persistent problems. The total amount of arable land is also on the decline. Significant drops occurred between 1970 and 1987 as farmland was converted to serve industrial, transportation and urban construction purposes. Increasing the efficiency of agricultural production through greater mechanization is complicated by lack of funds for investment and the problem of how to deploy displaced rural labor.<sup>115</sup>

China not only faces declining amounts of cultivable land, but its population continues to grow steadily. By the year 2020, China is predicted to have 250 million more mouths to feed. Even with population control measures and enhanced agricultural techniques, China will become increasingly dependent on alternative sources of food. China is already experiencing problems. Until two years ago China was a net grain exporter. In December 1995, China signed a major long term agreement with Australia to purchase millions of tons of wheat over the next several years. China has arranged

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<sup>113</sup> *The National Economic Atlas of China* (Hong Kong: Oxford University Press, 1994).

<sup>114</sup> Deserts (33 percent), grasslands (20 percent) and forest (almost 13 percent) make up much of the remaining land.

<sup>115</sup> Karsten Grummitt, *China Economic Handbook* (London: Euromonitor Publications Limited, 1986), 50.

similar large purchases from Canada.<sup>116</sup> In February 1996, China became the largest single buyer of U.S. wheat and sought assurances of a steady supply in the future.<sup>117</sup> One resource-expert Cassandra wrote in 1994 that given China's pace of economic growth, it would eventually have to import so much grain that the total international grain supply would be insufficient by 2020.<sup>118</sup>

Today, aquatic products represent less than fifteen percent of per capita output of major agricultural products, but the relative value of fishing has been appreciating. As early as 1984, Lui Huaqing noted China had a large and growing population, whose diet would increasingly require the protein supplied by fish. Chinese journals in 1989 similarly argued that eighty percent of the earth's living resources were in the sea, and fish would become an increasingly important source of animal protein.<sup>119</sup> Seafood is also an important source of iodine. Subsistence farming on iodine-deficient soils of inland China has already resulted in an inordinately large number of cretins in China's population. World Health Organization statistics indicate that of the estimate 1.6 billion cases of iodine deficiency worldwide, almost a third (500 million) live in China.<sup>120</sup> Expanding

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116 "China's Political Stability and the Food Factor," *Asian Defence Journal* (March 1996), 86.

117 "Trade Realities," *Asiaweek*, Vol. 22, No. 8 (February 23, 1996), 5.

118 B.M. Bhatia, "Will China Eat Up the World?" *Hindustan Times* (New Delhi, June 16, 1995).

119 Garver, 1019, 1022.

120 Patrick E. Tyler, "Lacking Iodine in Their Diets, Millions in China Are Retarded," *The New York Times*, Vol. 145, No. 50,448 (June 4, 1996).

China's fishing industry has an obvious nutritional benefit, is compatible with China's need for low-technology human-intensive occupations, and is a preferred alternative to imports.

As more Chinese fishermen head out to sea, a great percentage will steer south. Of all China's adjacent seas, the South China Sea has the greatest variety of marine fish in China, and bountiful fishing grounds (especially for mackerel) exist in the vicinity of Hainan Islands and the Paracels (see Figure 7). The Spratlys area straddles the migration path of commercially viable fish stock such as yellowfin tuna.<sup>121</sup> The coralline nature of the reefs and atolls in the area contribute to the diversity and productivity of marine life and serve as breeding grounds for a wide range of fish species. In 1993, the fishing catch west of Palawan Island reportedly topped 160,000 metric tons (put in perspective, Philippine fishermen haul one fifth of the total domestic catch from this region--by far the highest yield area for that nation.)<sup>122</sup> The South China Sea may not only be the locus for fueling China's future economy, but may become increasingly important in filling China's "iron rice bowls" as well. A Chinese article published in 1988 best captures China's thinking on the matter:

In order to make sure that the descendents of the Chinese nation can survive, develop, prosper and flourish in the world in the future, we should vigorously develop and use the oceans. To protect and defend the rights and interests of the reefs

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<sup>121</sup> According to a Chinese article the Spratlys "are a world of fish. China's largest tropical sea market, which covers an area of around 76,000 square km, is located here." "I Love You, Nansha," Beijing, FBIS, July 3, 1995.

<sup>122</sup> 1993 Fisheries Profile. Prepared by the Fisheries Policy Research and Economics Division, Bureau of Fisheries and Aquatic Resources, October 1994.

and islands within Chinese waters is a sacred mission....The [Spratly] Islands not only occupy an important strategic position, but every reef and island is connected to a large area of territorial water and an exclusive economic zone that is priceless....<sup>123</sup>

### C. THE TRANSFORMING NATURE OF THE "THREAT"

China's advances in the South China Sea have had a single purpose to repel threats to Beijing's autonomy, but the nature of the threat has transformed over time. Military and political openings gave China maneuvering room to respond to sovereignty threats and contain Vietnam and potential Soviet "expansionism" in 1974. By 1988, economic factors had begun to play into China's conception of sovereignty. In 1992 and 1995 China's reactions appeared to be triggered primarily by economic considerations. The islands in the South China Sea were not valued in themselves, but as hooks upon which to hang much larger claims to zones of marine jurisdiction. China thinks control of offshore resources surrounding the Spratlys, particularly petroleum,<sup>124</sup> may be pivotal to its economic survival. The perception that foreign economic encroachments might deny China these resources (and perhaps contribute to the asphyxiation of the "motherland") spurred China into action. In retrospect, China's occupation of reefs in 1992 and 1995 can be viewed as defensive reactions to what Beijing believed were attempts by neighboring nations to bleed China of marine resources vital to its future sustenance. While the golden thread of sovereignty is interlaced with China's every move in the

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<sup>123</sup> Garver, 1019.

<sup>124</sup> Onshore resource prospects were dim in 1992 and 1995. China's largest crude producing field, Daqing, is still being depleted and faces increasing difficulty in producing at previous levels. The same problem is occurring in other eastern fields. *Oil & Gas Journal* (September 25, 1995).

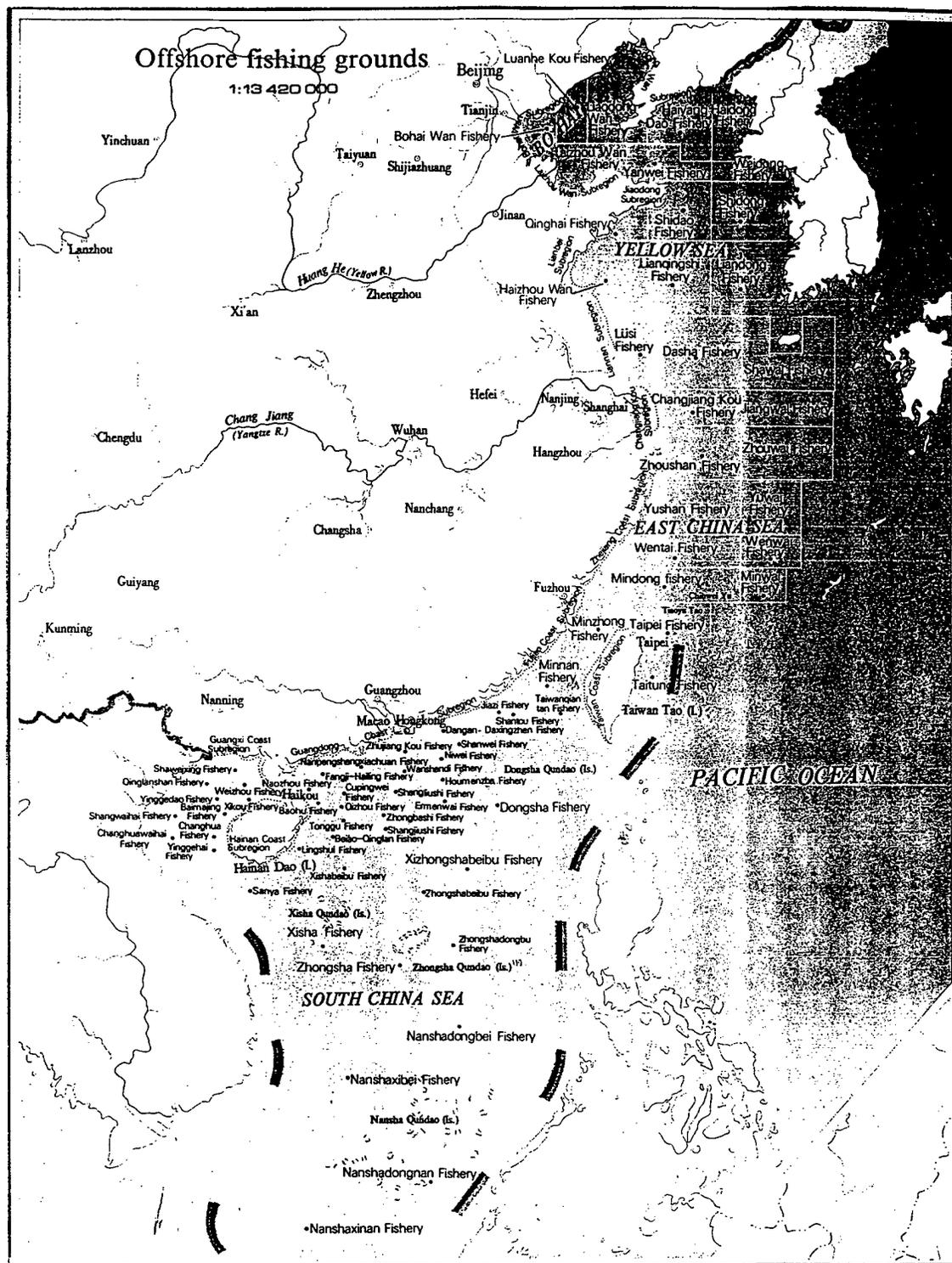


Figure 7. China's Offshore Fishing Grounds (From Ref. *The National Economic Atlas of China*, 1994)

South China Sea, the resource issue appears to have injected a new sense of urgency to China's general claims to the region.

This chapter showed that economic imperatives have emerged as a crucial variable in explaining the timing and rationale for China's expanded presence in the South China Sea. Competition for seabed and water column resources has clearly acted as a stimulus for Chinese advances southward. In fact, Beijing's propensity to take action in the South China Sea in future conflict scenarios will be influenced by its marked dependency on offshore resources.

The following chapter investigates further the degree to which domestic factors curb or encourage Beijing to take action in disputed zones. What other factors prevent China from sacrificing a smidgen of sovereignty for peace, stability and a fair share of the natural resources in the South China Sea?

## **VII. DOMESTIC INFLUENCES ON CHINA'S SOUTH CHINA SEA POLICY**

This study of China's advances into the South China Sea so far has stressed geopolitical and economic factors as chief variables which explain the PLA's southward expansion. While previous analysis has perforce touched upon particular domestic conditions that support the above rationales, calculations of China's motives in this region would be incomplete without a more detailed look at matters through a broader domestic lens. After all, "domestic determinants almost always explain most of a nation's foreign policy variance."<sup>125</sup> This section examines general trends within Chinese government and society that impact China's territorial resolve: specifically, the implications of Chinese nationalism, bureaucratic interests of the PLAN, the relative influence of the PLA in domestic politics and the distractive phenomena of "rebels" and radical reformers.

### **A. NATIONALISM & THE IMPERATIVE OF UNITY**

Most Chinese hew to the theory that life is cyclical rather than linear, and view China's resurgence as a great power as a natural consequence of dynastic evolutions that can be traced back four millennia. China's "century of shame" which lasted from the Opium War until the end of World War II reflected the bottoming out of the Qing Dynasty (1644-1912). Developments in China over the last five decades can be interpreted as a period of recovery, a stage in the larger process of restoring China's lost grandeur. Pulled by its indomitable pride in people, territory, art, philosophy and

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<sup>125</sup> Thomas W. Robinson, "The Taiwan Question as Between the United States and China," American Asian Research Enterprises (May 1996), 3.

language, China is standing up as a phoenix springing from the ashes.

This pride has been described as the spirit of Chinese nationalism, though many sinologists admit China's sense of glory actually runs much deeper than Western concepts of national self-consequence.<sup>126</sup> The starting point for modern Chinese nationalism is the humiliation suffered at the hands of foreigners intent on exploiting and dismembering China for economic and political profit. The nineteenth century saw Western powers seize concession areas in Hong Kong, Guangzhou, Qingdao and Dalian; Russia bit off sections of Manchuria; Japan captured Taiwan, Korea and the Ryukyus; and France colonized Indochina. Outer Mongolia took advantage of a deteriorating dynasty to achieve nominal independence by 1912. Manchuria became a proxy state of Japan in 1932. Although some territories were recovered after World War II, by the time the Communists took over in 1949 the erstwhile Qing Empire had been sliced into five separate entities: the PRC, Republic of China on Taiwan, Mongolian People's Republic, Macau and Hong Kong.<sup>127</sup>

Thus dislimbed, the Chinese possess a distinct sensitivity toward territorial integrity that finds expression in contemporary nationalist statements about reunifying the motherland. What is noteworthy is that the strongest terms used by the Chinese press to declare their seriousness in this endeavor are "inseparable sovereignty" and "inalienable sovereignty." The Paracel and Spratly Islands are consistently classified in these terms.

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<sup>126</sup> See Fox Butterfield's description of Chinese nationalism in *China: Alive in the Bitter Sea* (Toronto: Bantam Books, 1982), 24-25.

<sup>127</sup> Harry Harding, "The Concept of "Greater China": Themes, Variations and Reservations," *The China Quarterly*, No. 136 (December 1993).

Since the late 1970s, China's leaders have promoted Chinese nationalism as a unifying force to replace the "carcass of communism."<sup>128</sup> In the decade after Mao's death, the Party realized revolutionary fervor was becoming an unsustainable source of social cohesion. Emphasizing a theme that struck at the roots of Chinese pride, senior officials at the center began to elevate the citizenry's "consciousness of suffering" as a way of uniting elements of Chinese society that were increasingly disenchanted with the Party's socialist ideology. By attaching the regime's legitimacy to its ability to protect and defend Chinese sovereignty, however, Party leaders committed themselves to not yielding on the prickly questions of autonomy in Taiwan, Hong Kong, Tibet, Xinjiang or the Spratly Islands. Any leader who suggests greater autonomy, much less independence, for these areas risks being pilloried for traitorously sundering more of the "sacred motherland." Having wrapped themselves in patriotic garb, the regime has placed itself in the position of brooking no compromise on the issue of territorial integrity, even if it is in their national interest to do so.

#### **B. PLAN BUREAUCRATIC INTERESTS**

Assertive nationalists are not the only elements in Chinese society that encourage a hard-line stance on the issue of control over the Spratlys. The PLA has seized on instability and tension in the South China Sea to advance its case for increased funding. An improved understanding of China's naval build up and South China Sea strategy will develop from exploring this key domestic bureaucratic factor.

A perennial hotbed of conflict, multiple threats emerging from the South China Sea have been consistently

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<sup>128</sup> Nicholas D. Kristof, "The Rise of China," *Foreign Affairs*, Vol. 72, No. 5 (November/December 1993), 72.

spotlighted by the PLAN in its visceral efforts to acquire larger budgets and more modern capabilities. As highlighted previously, the Navy began to shed its hidebound coastal defense strategy in the mid to late 1970s. The PLAN was successful in crafting an offshore defense policy because it linked naval expansion with the maritime threats presented by the peripatetic U.S. Seventh Fleet and Soviet Pacific Fleet. China began its first major ship construction program in the 1970s, according to Zhou Enlai, "to build a powerful navy and maritime transport system to meet the threat of the two maritime superpowers."<sup>129</sup> The Sino-American rapprochement in the late 1970s and Sino-Soviet warming in the mid-1980s were major shocks to the PLAN's offshore strategy, because it deprived them of overt threats with which to justify a large ocean-going maritime force.<sup>130</sup>

Recovery of so-called "lost territories," which had been considered a secondary priority of the PLAN up until the late 1970s, surfaced as a major budget-justifying mission in the new international climate.<sup>131</sup> Other primary missions of the PLAN, which included strategic deterrence (submarine-launched ballistic missiles) and liberation of Taiwan, simply did not warrant the development of expensive high seas naval capabilities. The remoteness of the Spratlys soon became the

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<sup>129</sup> Extracted from Samuels, *Contest for the South China Sea*, 145.

<sup>130</sup> See David Muller, *China's Emergence as a Maritime Power* (Boulder: Westview, 1983), 167-174; Jun Zhan, "China Goes to the Blue Waters: The Navy, Seapower Mentality and the South China Sea," *The Journal of Strategic Studies*, Vol. 17, No. 3 (September 1994), 180-208.

<sup>131</sup> Available evidence does not indicate the Paracels incident in 1974 was related to budgetary considerations. Other domestic pressures were at work in this case, however, including the desire of the PLA to deflect criticism from the Gang of Four over the PLA's loyalty. Victory in the Paracels demonstrated the PLA's resolve and ability to defend the motherland.

single most important justification for the PLAN's construction of a blue water navy. Operations that occurred at long range from the mainland in an area fraught with navigational hazards and in proximity to multiple threats in two dimensions required the development of a "modern, technically proficient, combat-ready, long distance navy skilled in joint operations."<sup>132</sup>

The PLAN's success in acquiring the requisite share of the budgetary pie to perform the above missions should be credited to senior naval officers like Liu Huaqing, who was remarkably adroit in fusing the navy's narrow organizational interests with broad economic goals and core national issues. As the PLAN commander, Liu became an ardent spokesman for expansion into the Spratlys. In 1984 he listed one of the Navy's main goals as asserting China's sovereignty over its rich maritime resources, including offshore petroleum deposits, manganese nodules and fish.<sup>133</sup> During budgetary debates in the National People's Congress in 1992, the PLAN deputy commander echoed these resource-based arguments in demanding increased defense spending. He highlighted China's long term necessity to make better use of maritime riches, particularly petroleum.<sup>134</sup>

The notion that China's future economic growth will depend on its ability to exploit living and non-living marine resources, and that the PLAN must be adequately equipped to secure these zones, has taken root in the most powerful

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<sup>132</sup> Garver, 1023.

<sup>133</sup> *Xinhua*, Beijing, August 12, 1984, FBIS, August 13, 1984, 1-2.

<sup>134</sup> The deputy commander stated that China's offshore oil production output was only 62 percent of Vietnam's, and warned that China could not continue to lag behind other nations in exploiting marine resource without it negatively impacting China's economic growth levels into the next century.

factions in the Party and central government. The Navy's success in convincing the regime of the fleet's importance as a watchdog of China's southern gate is best reflected in the Chinese media:

There has appeared the situation of islands and islets being occupied, sea areas being carved up, resources being looted, and marine rights and interests being wantonly encroached upon. In light of this serious situation, we must give prominent attention to strengthening naval construction, while energetically developing the marine areas. It can be said that emphasis on developing the navy is where the fundamental and long-term interests of the state and the people lie.<sup>135</sup>

Absent a Russian, American, Japanese or Indian threat, the PLAN will continue to entertain the South China Sea as a prime area from which threats to China's sovereignty will emerge. PLAN leaders hope that claiming to protect Chinese territorial interests from foreign encroachments (i.e., defending the water column and seabed minerals which may be invaluable to China's energy supply in the future) will have wide patriotic appeal.

That the PLA Navy has a deep commitment in the region is best symbolized by the reported posting of four commodores to the Spratly Maritime Surveillance Command on Fiery Cross Reef. The extremely high level of authority that may be established at this station, which is manned by only a few hundred troops, reflects the long lasting political and military importance of the command to the PLA.<sup>136</sup>

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<sup>135</sup> Tang Fuquan, "Reunderstanding our Country's Naval Strategy," *Jiefangjun bao*, Beijing, September 15, 1989, JPRS-CAR-89-109, 55-57.

<sup>136</sup> The Command was established in 1989 and is subordinate to the Navy's South Sea Fleet. See You Ji "Facing the New Century," Paper prepared for the conference "Sea Power in the Next Century," Sydney (November 22-23, 1995), 19.

Given the centrality of the Spratlys issue to the PLAN's blue water navy ambitions, one could propound that the PLAN has a stake in perpetuating a certain amount of friction between rival claimants in the lower basin of the South China Sea. While most, if not all, Chinese naval strategists probably advocate peace (largely because the stability it provides enables the PLA to further modernize), they do have an interest in fostering a siege mentality because it translates into expanded budgets and a privileged political role.<sup>137</sup> In this sense, the PLAN generally aligns with Party conservatives who have been reluctant to support cooperative measures designed to resolve territorial disputes with ASEAN.

The PLAN's self-portrayal as an advocate of Chinese territorial sovereignty, national security and economic resources has allowed the Navy to cast a wide net over policy and weaponry. The PLAN also boasts a bureaucratic ace in the hole. In October 1992, Admiral Liu Huaqing was brought out of retirement and elevated to the Politburo, becoming one of the top seven men in China.<sup>138</sup> In his position as the only uniformed PLA representative in the party's leading organ, he holds sway over any major decision regarding China's defense. An octogenarian, Liu may not long survive on the Politburo, but his legacy of an offshore defense strategy requiring a strong blue water navy entrusted with the protection of the South China Sea will undoubtedly endure.

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<sup>137</sup> Nayan Chanda and Kari Huus, "The New Nationalism," *Far East Economic Review* (November 9, 1995), 21.

<sup>138</sup> Deng Xiaoping reportedly put Liu Huaqing on the Politburo to keep the PLA out of reach of over-ambitious politicians and to safeguard Jiang Zemin as Deng's heir apparent. David Hsieh, "China's Rising Military Star," *Asiaweek* (May 1996), 27. Liu was probably selected because he is a moderate leader who enjoys strong PLA support and is untainted with Tiananmen blood.

### C. PLA WEIGHT IN DOMESTIC AFFAIRS

The PLAN's influence over budgetary and strategic policy at the center is partly attributable to its success in intertwining its parochial interests with deep-seated cultural mores and China's national objectives, but it is also propelled along by the PLA's overall suasion in political circles.

The nature of factionalized party-army rule in China has placed the PLA in the position of being arbiter of power among contending groups atop the Chinese communist system. Indeed, a party leader's ultimate power relies to a great degree on the breadth and robustness of his personal links with the military. The PLA is not a monolithic institution, of course, and cleavages exist within the PLA as individuals attempt to promote their careers and seek professional security. PLA potency is also somewhat palliated by senior military leaders' dependency on party patronage for political leverage, but by and large the PLA exerts a high degree of political authority in Beijing.<sup>139</sup>

If Chinese history is any guide, PLA influence in domestic politics increases as leadership weakens in Beijing. In the midst of a transition in leadership from Deng Xiaoping to Jiang Zemin the PLA has, indeed, been given greater freedoms in the policy arena. The weak revolutionary and military credentials of Jiang, who is currently recognized as the first among equals in the Beijing power calculus despite his arguably unsteady hold on the reins, has strengthened the PLA's hand in domestic and foreign policy matters. Jiang's endorsement of the hard line taken by China's generals against Taiwan preceding Lee Teng-hui's election to the

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<sup>139</sup> Michael D. Swaine, *The Military and Political Succession in China* (Santa Monica: Rand, 1992), 5.

Presidency was one of the most pronounced examples of Jiang's courtship of the army. As telling may be his apparent *laissez faire* attitude toward PLA economic enterprises, even ones that routinely bypass state regulations or are illegal. That Jiang regularly meets army officers and is frequently photographed reviewing troops continues to signal PLA predominance in affairs of state.

Perhaps a pertinent question to ask is whether this unbalanced relationship can endure. Will the PLA continue to drive policy and influence Party leaders to proceed with long range plans regarding the South China Sea?

It seems intuitive that as Jiang or any other Chinese successor consolidates his power, and the PLA proceeds toward greater professionalism (and depoliticization), the Party will be able to resist potentially aggressive recommendations originating in the Central Military Commission or General Staff Directorate. I would posit that despite the trend toward professionalization, military personages will continue to be grafted, most voluntarily, into senior government positions. In fact, Michael Swaine argues that "connections (*guanxi*) thus far has triumphed over the unifying notion of professionalism within the military establishment."<sup>140</sup> This process allows the Party to erect bridges of loyalty with key military leaders, and thereby keep the armed forces on a political tether. But it also means that the PLA will continue to exert considerable leverage in the loftiest bodies in China. Party-army interdependency will continue to survive as long as China retains the trappings of communism.

The PLA is only one of several major organizations that vie for political attention in Beijing, but by virtue of its control over instruments of lethality it wields substantially more influence. The PLA's relative prominence among

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<sup>140</sup> Swaine, 16.

competing bureaucracies in Beijing was brought home in 1992, when conservative military and senior party officials pushed through the 1992 Territorial Sea Law over the Ministry of Foreign Affairs (MFA) objections.<sup>141</sup> While the MFA has consistently taken a conciliatory stance on disputes in the South China Sea among rival claimants, its words have occasionally rung hollow with ASEAN states who have not seen concrete progress toward resolving territorial issues. Though the MFA would like to improve relations with its Southeast Asian neighbors, its diplomatic initiatives probably have been subject to veto by Party and military elites unwilling to jeopardize government legitimacy by appearing to compromise on an issue at the gravitational center of China's nationalist agenda.

#### **D. REGIONAL INTERESTS AND SEPARATIST INFLUENCES**

##### **1. Provincial Economic Stakes**

Loosely allied with the band of conservatives, assertive nationalists and navy commanders in their revanchist pursuits are officials in Hainan Province. Since it became an independent province in 1988, the island has seen rapid economic growth. To maintain this momentum, Hainan is giving top priority to construction of large industrial projects including a refinery and a gas-fired chemical fertilizer plant, cornerstone industries that will process mineral resources mined from onshore areas or lifted from the

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<sup>141</sup> The MFA reportedly objected to the sea law because they feared its exclusive tone would negatively impact relations with Southeast Asia and Japan. The MFA favored a more ambiguous statement that temporarily avoided mention of sovereignty. *Kyodo News Service, Tokyo, FBIS, February 27, 1992, 15-16.* For additional data on the subjugation of the MFA to the PLA's interests see John W. Lewis, Hua Di and Xue Litai, "Beijing's Defense Establishment," *International Security*, Vol. 15, No. 4 (Spring 1991), 87-109.

seafloor under the South China Sea.<sup>142</sup> Hainan has a vested interest in ensuring it receives a steady supply of minerals with which to operate its flagship enterprises.

Officials on Hainan view the South China Sea not only in terms of a huge resource basin from which raw materials can feed its new plants, but see the foreign companies interested in operating there as a valuable source of revenue. If China owns the South China Sea, oil companies will require Chinese sponsorship and licensing. As the geographic springboard into the South China Sea, Hainan would become a major beneficiary of operating fees charged to foreign companies engaged in economic exploitation in the region.<sup>143</sup> Hainan would also enjoy an influx of capital designed to make the island a suitable logistics center for companies involved in offshore pursuits.

The interest of Hainan's officials in Chinese expansion and control over most of the South China Sea was evident by the participation of Hainan's governor in an inspection tour throughout the Spratlys in January 1992, one month prior to the formal declaration of China's Territorial Sea Law. The governor believed that every one percent of the exploited proven resources in the South China Sea would yield a profit equivalent to 60 times Hainan's total economic output in

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<sup>142</sup> The development and processing of mineral resources is being pursued as a key industry of Hainan Province over the next five years. Close to thirty mineral resource development projects are to be carried out, the output value of which is predicted to be eight times existing production. "PRC; Mineral Resources to Play Key Role in Hainan's Industry," April 12, 1996, FBIS.

<sup>143</sup> The largest fees charged to, say, foreign petroleum companies probably would be funneled to national entities such as the China National Offshore Oil Corporation, but significant funding probably would be reinvested at the local level. For example, the Chinese are toying with the idea of constructing a major gas pipeline to run from an offshore gas drilling site in the Pearl River Mouth through Hainan to Macau (see CIA map "Gas Infrastructure," 724261).

1990.<sup>144</sup> He noted it was imperative for Hainan to "develop the rich resources on the Spratly Islands and in the surrounding waters, to change them into huge material wealth."<sup>145</sup>

In the final analysis, ownership over and exploitation of the South China Sea's economic largess has wide appeal across the spectrum of China's officialdom, from national level strategists seeking a panacea to China's growing energy and food demands to provincial administrators eager to keep their industrial locomotives chugging along the track of prosperity.

## **2. Influence of Separatist Movements**

So far this section has discussed domestic pressures that inspire and motivate the Chinese to establish control over the South China Sea. But what kind of internal threats exist that may interfere with these plans?

A variable that deserves attention is separatism. One might hypothesize that trouble in minority regions (e.g., Tibet and Xinjiang), or tension with Taiwan,<sup>146</sup> may sufficiently leech or preoccupy PLA forces to dissuade the military from adventurism in the Spratlys. In fact, the separatist problems in the western and northwestern provinces have been routinized in the sense that a finite number of PLA forces (and internal security services) have been committed to those trouble spots. Also, reinforcements to those regions probably would not be siphoned from naval infantry

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<sup>144</sup> Garver, 1026.

<sup>145</sup> *Da gong bao*, January 23, 1992, FBIS, January 29, 1992, 42.

<sup>146</sup> Ruling officials from both the People's Republic of China and Republic of China acknowledge Taiwan as Chinese soil; therefore, I treat the political trends on the island as manifestations of a distinct type of separatism.

and naval aviation ranks, or in any way impact the force structure of the South Sea Fleet.

On the other hand, a high level of separatist friction with Taiwan probably would decrease the likelihood of Chinese advances in the South China Sea. Depending on the degree of tension, ships from the South Sea Fleet probably would need to stand ready to augment the East Sea Fleet, particularly in the event Taiwan was being bolstered by the U.S. Seventh Fleet. Even if the drama fell short of war, the international perception that China might again be acting with imperiousness<sup>147</sup> probably would convince Beijing it could not afford to appear an "aggressor" or "hegemonist" on two fronts.<sup>148</sup>

Periods of high tension are usually ephemeral (suggesting little impact on China's goals to the south). If a hot conflict ensued over Taiwan, however, it would have major ramifications for China's ability to reach its goals in the South China Sea. Southeast Asian nations probably would accelerate weapons acquisition programs and coalesce around a "China-as-threat" banner, stalling China's ambitions in that region indefinitely. Indeed, in the midst of China's military exercises off the coast of Taiwan in March 1996, ASEAN nations warned China that an attack against Taipei would be perceived in Southeast Asia as the opening maneuver for a takeover of the Spratlys. ASEAN threatened that this development probably would force it to seek close defense cooperation or an actual military alliance amongst

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<sup>147</sup> Reference the general international disapproval of China's firing of missiles near Taiwan to scare voters from electing Lee Teng Hui in March 1996.

<sup>148</sup> The way in which China reincorporates Hong Kong and Macau may also serve as litmus tests, giving the world an idea of how China intends to resolve territorial issues in the South China Sea.

themselves.<sup>149</sup>

### 3. Repercussions of Tiananmen

Civil unrest throughout China that is containable does not appear to have repercussions beyond the local level. Large-scale internal instability such as the Cultural Revolution, however, causes shocks that force China to focus a greater part of its energies inward. The traditional Chinese fear of chaos typically leads to rapid and responsive measures to extinguish the source of disorder. In 1989, the gathering momentum of the pro-democracy movement became a direct threat to the legitimacy, authority and stability of the central government and it was promptly dealt with violently.

The most intriguing aspect of Tiananmen for this study was that it distracted Beijing from addressing (and redressing) Vietnamese pinpricks in the South China Sea. Although the PRC media reported in June 1989 that Vietnam fortified three large banks with outposts in the southwest corner of the Spratlys, and more importantly that Hanoi had decided to incorporate the Spratlys into Khanh Hao province, an official Chinese response was not forthcoming.<sup>150</sup> Chinese naval activity even declined during this period. The PLAN was riveted by dramatic events occurring inland. Future conflict in the South China Sea may result from rival claimants attempting to capitalize on high levels of domestic turmoil in China.

The Tiananmen massacre also delivered a concussion blow

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<sup>149</sup> Robinson, 12.

<sup>150</sup> LCDR Jon Sparks, "The Spratlys Island Dispute: Possible Outcomes and their Effects on Australia's Interest," *Asian Defence Journal* (March 1995). The three occupied banks were Vanguard, Prince of Wales and Bombay Castle.

to civil-military relations in China. The PLA may have lost significant prestige among the people by slaughtering its own citizens at the behest of the Party. The PLA has always been exhorted to "put down roots among the masses"<sup>151</sup>; instead, the army was compelled to put down a quasi-revolution with the sword. Despite having performed the Party's "wet work" against its wishes, the PLA became extremely unpopular with many sectors of society. Moreover, realizing its legitimacy was appreciably weakened in the aftermath of Tiananmen and that its survival rested with the military, senior Party leaders (some new and owing their jobs to those who ordered and carried out the crackdown<sup>152</sup>) forcibly repoliticized the PLA to further ensure its loyalty. In recent years, the Party has become more suppliant in their dealings with the PLA because they recognized their actions since 1989 have caused much rank and file disgruntlement. The Party has curried favored with the PLA by allowing it greater freedoms in the policy arena, adding to the military's political leverage. This new dynamic in civil-military affairs means the PLAN's bureaucratic interests may find, and appear to have found, greater receptivity in the Politburo. Part of the Party's *quid* for the PLA's *quo* in 1989 may include endorsement of PLAN aspirations in the South China Sea.

This chapter emphasized the domestic forces that influence and determine Chinese policy toward the South China Sea. Three crucial variables that increase the likelihood China may resort to force to protect or advance its interests in that region include the constant use of nationalism (which

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<sup>151</sup> *China Today: The People's Navy*, trans. Naval Technical Intelligence Center (Beijing: China Social Services Press, October 1987), 155.

<sup>152</sup> For instance, Party Secretary Jiang Zemin, who also became head of the Central Military Commission after Deng Xiaoping's retirement in the fall of 1989.

oscillates between being assertive and aggressive), PLAN bureaucratic pressures, and PLA political leverage in Beijing. Conservatives concerned about national self-reliance and closet capitalists in regions that stand to profit from economic exploitation in the South China Sea conspire to support China's long term irredentist goal. High levels of domestic chaos probably will distract China for brief periods, but not substantially alter Beijing's policies. If China employs less than peaceful measures to recover lost territories like Taiwan (or Hong Kong), it risks casting itself as a regional "hegemon" and complicating its efforts to plant red and gold flags on all its claimed reefs in the South China Sea.

## VIII. PROSPECTS

The wisest sinologists will admit that to attempt prophesy about this gigantic and mercurial nation is voluntary folly. Realizing that history can lie, and that past trends may have limited portentous power, the following section seeks to make short to medium term prognostications about Chinese actions in the South China Sea. Having examined the case studies from various angles, the author thinks it possible to discuss with circumspection the future conditions under which Beijing may entertain the use of force to advance its interests in the region. This chapter concludes with a discussion of U.S. policy recommendations.

### A. MILITARY OUTLOOK

If we are to believe anything of Chinese military strategy, it is that the PLA is loath to engage in operations that involve excessive risk. The PLA prefers to face off with an enemy only if it possesses numerical or qualitative advantages that pit China's strength against an opponent's weakness. The case studies showed that the PLA only partially enjoyed these circumstances in 1974 when they captured the Paracels. In deference to their limitations at projecting and sustaining power at long distances from the mainland, operations in the South China Sea since then have been very conservative.

The Chinese have been gradually improving their power projection capabilities since the mid-1970s, but modernization priorities and budgetary constraints have moderated the scale and pace of these advances. The crucial question in today's environment is not how fast China can acquire a modern air force and blue water navy, but whether China's future military capabilities vis-a-vis Vietnam,

Malaysia, Brunei and the Philippines will be sufficiently superior to allow China to push out its arc of sustainable defense further down into the South China Sea.

### 1. The Dragon's Reach

China certainly is endeavoring to acquire a more muscular force that can dominate the skies and high seas out to the first island chain.<sup>153</sup> At first glance, PLA power projection abilities look formidable. New multi-mission LUHU DDGs are China's largest and most capable combatants equipped with improved anti-surface warfare (ASUW), anti-submarine warfare (ASW) and anti-air warfare (AAW) capabilities. The new class of JIANGWEI FFs are also equipped with enhanced AAW systems. DAYUN supply ships are to be constructed to enable these units to operate at sea for extended periods. In the interim, China will continue to support its fleets with two FUQING AORs and a NANYUN AOR, which was recently assigned to the South Sea Fleet. China bought four quiet KILO diesel submarines from Russia in 1994 and has already taken delivery on two. China also recently purchased 72 fourth generation SU-27 fighters from Russia, two thirds of which are already in country. Additional purchases from Moscow include ten IL-76 long range aircraft, potential platforms for aerial refuelling or airborne early warning.<sup>154</sup> China has also expressed an interest in acquiring MIG-31 high-altitude interceptors. In order to improve its rapid reaction capability, the PLA has organized and trained special marine units for amphibious assaults and airborne forces for speedy

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<sup>153</sup> The southern stretch of the first island chain encompasses the entire South China Sea from Taiwan to the Straits of Malacca.

<sup>154</sup> China has reportedly received aerial refueling technology from Israel and possibly Iran.

deployment from transport aircraft.<sup>155</sup>

Despite this impressive array of combat power, China continues to be plagued with serious vulnerabilities. Its surface fleet, for example, still suffers from inadequate air defenses, low-power shipboard radars, unsophisticated targeting radars, weak command and control functionality, and basic inexperience in extended blue water operations. The PLA is also hampered by poor interoperability between air and sea assets. While the FLANKERS have very long "legs," operations in the southern reaches of the Spratlys would be at the fighter's maximum effective range. Even if operating from Woody Island in the Paracels, the SU-27s would be unable to respond quickly to a crisis flashing 500 miles to the south. At the moment, all of the Chinese FLANKERS are subordinated to the air force, suggesting their primary mission will remain air defense of the homeland. Without continuous air support, naval infantry units attempting to forcibly take and hold an island would be exposed to retaliatory strikes.

The March crisis in the Taiwan Straits may have been a further setback to PLA plans to develop long-range power projection forces. In the wake of the Taiwanese presidential elections, a senior PLA officer in charge of foreign defense acquisitions in Moscow was reportedly instructed by Liu Huaqing to purchase weapons solely designed for the Taiwan situation and not for the South China Sea.<sup>156</sup> Of course, much of the military hardware used in a Taiwan straits scenario may have utility for assaults in the Spratlys, but the

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<sup>155</sup> Keith W. Eirinberg, "The Growth and Role of the Chinese Military," Statement before the Senate Foreign Relations Committee, Subcommittee on East Asian and Pacific Affairs, October 12, 1995, 3-4.

<sup>156</sup> Hua Di, Speech on "China's Security Dilemma," Leesburg, VA, July 12, 1996.

reprioritization in procurement suggests China's will not be able to achieve its goal of overwhelming superiority within the first island chain anytime soon.

## 2. ASEAN's Growing Sting

China's power projection vulnerabilities cast doubt on its ability to establish tactical superiority in the South China Sea, particularly in light of the growing military potency of ASEAN. Although ASEAN has ruled out force in resolving the Spratlys dispute, many of the rival claimants now believe a signal must be sent to China that force will be met with force.<sup>157</sup> The general build-up of forces in ASEAN is largely viewed as uncertainty-driven rather than threat-driven, but the type of punch Southeast Asia is trying to pack in its air and surface forces reflects ASEAN's awareness of the potential conventional threat posed by its larger neighbors. After all, the rush for high-tech fighters, missiles and in some cases, submarines, cannot be fully explained as a response to the existing offshore threats of smuggling, pirating, illegal migration or illegal fishing.

The six members of ASEAN spent approximately \$12 billion for defense in 1993 and as much in 1994. These states have concentrated efforts on improving air and sea surveillance and defense against seaborne attack by equipping their respective forces with modern fighters, new ships and advanced anti-ship weaponry. For instance, Malaysia will beef up its surface fleet by acquiring two modern frigates

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<sup>157</sup> J.N. Mak, "Security Implications of Conflict in the South China Sea: Perspectives from the Asia-Pacific," paper presented at conference on the South China Sea, Manila, Philippines, November 12-14, 1995, 7. While many Southeast Asian nations are leery of China's imperious behavior, most defend the build-up of maritime forces as a response to the added requirements for patrolling Exclusive Economic Zones (EEZs formally went into effect with UNCLOS in 1994). Others argue high levels of economic growth have enabled ASEAN to afford weaponry other nations naturally seek for their own defense.

from Britain and two ASSAD-class corvettes from Italy, and building as many as 27 offshore patrol vessels (OPV) over the next 10-15 years.<sup>158</sup> Though Kuala Lumpur may not be able to afford it, the navy is also seeking a fleet of six submarines, the first of which may be funded in Malaysia's Eighth Plan starting in 2000.<sup>159</sup> Malaysia currently fields a squadron of MIG-29 FULCRUM and plans to receive in early 1997 the first delivery of F/A-18 HORNETS for maritime strike purposes.

Vietnam and the Philippines have also concentrated on updating their air forces.<sup>160</sup> Vietnam has already received six FLANKERS and plans on acquiring an additional half dozen.<sup>161</sup> The Philippines is interested in replacing its obsolescent F-5s with either U.S. F-16s or Israeli KFIR 2000s, representing the first of many expenditures that fall under President Ramos' \$13.2 billion defense modernization program (approved in the wake of Mischief Reef).<sup>162</sup> Manila is also looking at a 15 year plan to build 12 OPVs and six corvettes to improve its ability to defend the Philippine EEZ from encroachments. Even diminutive Brunei is reportedly

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<sup>158</sup> The Malaysian program is called the New Generation Patrol Vessel and involves initial construction of six OPVs with a potential total of 27 over the next twelve years.

<sup>159</sup> "Submarines in Southeast Asia," *Naval Forces* (January 1996), 22.

<sup>160</sup> Liza Lacson, "Air Force Should Get Priority," *The Philippine Star* (September 5, 1995), 1.

<sup>161</sup> "Vietnam Modernizes Aircraft," *Jane's Defence Weekly* (August 19, 1995), 12.

<sup>162</sup> Felix Soh, "Asia-Pacific Nations Go on Arms Spree to Replace Old Gear," *The Strait Times* (September 27, 1995), 20; "Islands of Discord," *Asiaweek* (February 24, 1995), 27; David Silverberg, "Trading on Peace," *Armed Forces Journal* (February 1996), 16.

looking at maritime patrol aircraft that can fire HARPOON.

ASEAN's sting is clearly become deadlier. The build-up of forces in Southeast Asia is a reminder to would-be aggressors of the poison prawn analogy; that is, "you can swallow us, but we will make you very sick." ASEAN is gambling China cannot afford any Pyrrhic victories.

### **3. Prospective Chinese Tactics**

It is extremely difficult to determine what these regional military forces can achieve in the South China Sea given the number of intangible variables that play into success on the battlefield, but one study conducted by the Center for Naval Analysis in 1995 may serve as a guide in understanding what the PLA can accomplish over the near term (within 15 years). The study concluded that China cannot build a regional navy and air force of sufficient strength to dominate the South China Sea by 2010 by relying on its own capabilities or by reverse engineering foreign military equipment. It further asserted that even if the Chinese economy continues to boom and Beijing takes the unlikely step of purchasing an air and naval fleet lock, stock and barrel from abroad, the PLA still may not possess sufficient firepower to establish sea control in the South China Sea, a prerequisite for ejecting rival claimants from their existing islands and sustaining a follow-on presence.<sup>163</sup>

If China acquired aircraft carriers the PLA would certainly have the means to repatriate every rock in the South China Sea, but most analysts agree this capability is at least a decade away. According to a General Accounting Office report, China is currently funding research and development and training officers in aircraft carrier

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<sup>163</sup> Christopher Yung, "Chinese Navy and Air Force Futures," Center for Naval Analysis briefing to Commander in Chief Pacific Fleet, January 11, 1995.

operations, but "it will need to overcome several large obstacles before it can field an operational aircraft carrier and associated supporting ships."<sup>164</sup> One of the principal stumbling blocks is the lack of any carrier-capable aircraft. China's F-10, which is being built with Israeli technology, may be configured for carrier operations, but this development probably will be a minimum of ten years in the offing. The Chinese also view carriers with ambivalence: a full-fledged program would be exorbitant (to build or purchase, equip and defend), and if one were sunk in combat it would incur a great loss of face.<sup>165</sup> For the foreseeable future, then, China will not be an unchallenged power in any South China Sea quarrel.

Since Beijing will not enjoy general military superiority at least through 2010, and perhaps beyond, it is reasonable to conclude the PLA will continue to operate with extreme cautiousness. Renowned for their perseverance, Chinese commanders will wait until military windows of opportunity eventually open. In the interim, the PLA will exploit the tensions stemming from regional counter claims to justify increased modernization of its forces.

That is not to say the Chinese will abjure violence in the face of perceived threats. The endpoint of the above logic is that if pricked into action the PLA probably will employ tactics characteristic of its advances in 1988, 1992 and 1995. To wit, future PLA operations designed to win territory will target uninhabited reefs and utilize deception and cover to mask China's intentions. Sensitive to imperial

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<sup>164</sup> "Impact of China's Military Modernization in the Pacific Region," Report to Congressional Committees, United States General Accounting Office, June 1995, 20.

<sup>165</sup> China's fears along these lines were voiced by Hua Di in his speech on "China's Security Dilemma."

overstretch, the PLA will engage in low-profile operations outside their arc of sustainable defense to prevent adversaries from bringing their strengths to bear against China's thin defenses.<sup>166</sup> The only caveat to this assessment is that if rival claimants provoke or escalate a military confrontation in the South China Sea, China will respond with substantial diplomatic and military firepower to avoid losing ground and/or avoid appearing weak.

## **B. POLITICAL PERSPECTIVE**

Examination of the case studies revealed that China advanced against Vietnam and the Philippines while they were politically isolated without superpower patronage. These nations were victims of Chinese expansionism because they carried little weight in international affairs. Beijing believed Hanoi and Manila would be forced to accept China's *fait accompli* in the archipelagos. They knew neither country could retaliate with economic sanctions since bilateral trade was negligible. Barring a direct and overt threat to Vietnamese or Philippine personnel and equipment, China gambled neither Hanoi nor Manila would attempt to seriously confront Beijing on a military or diplomatic front, either. Of course, the PLA soon learned its adversaries would find clever ways to fight and resist China's efforts: Vietnam by occupying additional reefs while Beijing was preoccupied with Tiananmen, and the Philippines by beating danger drums in public. In the end, though, Beijing managed to forge its way south by capitalizing on the comprehensive weaknesses of its opponents.

The stars in the political sky may never again be so fortuitously aligned for China. Now that Vietnam has become

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<sup>166</sup> Based on land-based aircraft ranges and naval capabilities, China's arc of sustainable defense currently falls somewhere between the Paracels and Spratlys archipelagos.

a member of ASEAN and agreed to resort to peaceful means to resolve the Spratlys dilemma, Southeast Asia stands united in a common effort to diplomatically deter China from using force in the South China Sea. Beijing cannot pinch any one claimant on a territorial issue without causing all to flinch. Memories of Mischief Reef are still too fresh. China must idle its irredentist engine until the regional limelight shifts to another hot spot. Even then, mechanisms of dialogue established by ASEAN (including the Regional Forum (ARF) and track II workshops established in 1990) threaten to bring any untoward Chinese actions swiftly to international attention.

Mischief ruptured Beijing's benign relationship with ASEAN. Since then, China's has been forced to atone for its "ill-gotten goods" by placating Southeast Asia in ways that it traditionally has been loath to do. For example, though China disavows the methods of multilateralism to solve what it considers bilateral disagreements, Beijing has been compelled to entertain ASEAN's soft engagement strategy and answer to Southeast Asian fears in ARF meetings. China's promise in July 1995 to abide by the U.N. Convention on the Law of the Sea (UNCLOS) in resolving territorial disputes is integral to this assuagement strategy. The declaration is certainly a positive development, but it must be viewed as an outgrowth of China's overarching desire to prevent the formation of alliances against it. Until China officially renounces its dubious jurisdictional line that sweeps menacingly through the South China Sea, Beijing's vague statement should be viewed as one in a series of "thrust and reassure" tactics it has employed for decades to salve wounds it premeditatedly inflicted.<sup>167</sup> It reflects more froth than

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<sup>167</sup> Some analysts refer to China's *modus operandi* as "salami tactics," whereby Beijing nibbles away at territory, and is alternately aggressive or conciliatory depending on the amount of resistance

substance.

Mischief pulled shut, for an indefinite period, political windows of opportunity for Beijing. Further Chinese bellicosity in Southeast Asia probably would prompt ASEAN to lift a collective shield by strengthening the spider web of bilateral and trilateral associations that permeate the organization. Though ASEAN was not intended to be a security partnership, nor will the organization ever likely become NATO-like, the potential exists for Southeast Asia to coalesce around a China-as-threat banner (in the same manner it grappled with Vietnamese hegemony in Cambodia in the 1980s). ASEAN is already steeling itself for the contingency of further PLA advances deeper into the Spratlys. It is in the long term interests of Beijing to avoid having ASEAN create a defensive glacis directed northward.

If one accepts the premise that China is willing to outwait its rivals and move only when it is militarily and politically wise to do so, then Beijing must be content with the status quo until ASEAN solidarity against China is cracked by other extra-regional threats (perhaps expansion of the Indian or Japanese Navy into the South China Sea), or if intra-ASEAN divisions create exploitable seams or rifts in the organization. In the near term, China's handling of the repatriation of Hong Kong and Macau will serve to intensify or mollify ASEAN concerns over the nature of Chinese revanchism.

### **C. ECONOMIC FORECAST**

By charting the motivating factors behind China's advances into the South China Sea from 1974 onwards, this study was able to show that economic threats have emerged as potential triggers for China's use of force. Beijing sees control over the South China Sea as a zero-sum game: offshore  

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encountered.

resources exploited by Southeast Asia are prizes being stripped from China's treasure pile. China's current and future resource pressures stemming from modernization and population growth demand that it defend its current and future interests or face economic misfortune, domestic chaos and national disintegration. A senior PLA official admitted in 1993 the reason China was so keen on its Spratlys claim was because of oil:

At present why is this problem so grave? Why are we fighting over this? Mainly because of the oil....[A]t present our one year [oil] production and production quantity has not even reached the 100 million [ton] mark and if there is at least 15 billion tons [in the South China Sea], then we could have 150 years of production. So, we want this."<sup>168</sup>

#### **1. Swords May Cross Where Concessions Intersect**

If one was to speculate about the timing and location of Beijing's next move in the Spratlys, one could simply pinpoint Chinese claimed areas rivals are attempting to exploit for economic purposes. In fact, the area where the CNOOC-sponsored Crestone block and Vietnam-sponsored Conoco concession overlap in the southwest Spratlys probably has developed into a flashpoint that deserves greater attention than it currently receives.<sup>169</sup> For starters, large proven

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<sup>168</sup> Senior Colonel Liu Sheng'e, Lecture at Hopkins Nanjing Center, October 1993.

<sup>169</sup> Vietnam signed an exploration deal with Conoco in early April 1996 to conduct hydrocarbon surveys in two blocks that overlap the Crestone concession. Vietnam asserts that the concession is legal because it is on Vietnam's continental shelf; China defends its jurisdiction based on a general claim to the Spratlys and "adjacent waters." Of note, UNCLOS does not provide a basis for settling this dispute because the issue returns to claimants' conceptions of sovereignty. Adam Schwarz, "Oil on Troubled Waters," *Far East Economic Review*, Vol. 159, No. 17 (April 25, 1996), 65; "Beijing Said to Warn SRV Against Spratlys Oil Deal," FBIS, April 11, 1996.

reserves exist nearby.<sup>170</sup> Also, China has pledged full protection of Crestone's equipment and personnel with its navy, and periodically dispatch combatants to patrol the concession area. In the Crestone block reside at least two Vietnamese outposts on Vanguard Bank and Prince Consort Bank, increasing the risks of potential conflict. Low level clashes have already been recorded: Vietnam alleged that a Chinese seismic survey ship harassed a BP-led exploration off Vietnam's continental shelf in May 1993. Vietnamese gunboats escorted a Chinese research vessel out of the Crestone block in April 1994.<sup>171</sup> And in July 1994, Chinese naval units blockaded a drilling rig licensed to operate by Hanoi.<sup>172</sup> Because both countries are becoming increasingly reliant on offshore petroleum to fuel their respective economies, the likelihood either nation will use force to defend their concessions is reasonably high. The only spark that may be needed to ignite armed conflict in this region is the discovery of commercially viable quantities of oil or natural gas. As the deputy commander of the Chinese East Sea Fleet forecasted, "In a future war, the combat areas are most likely to be over the continental shelf and at the

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<sup>170</sup> Vietnam's southern continental shelf is its most lucrative offshore source of oil. Two fields, Big Bear and Blue Dragon, have practically underwritten Vietnam's economy. Both fields are located less than 50 NM west of the Crestone block, and both lay within or astride China's historic claim line.

<sup>171</sup> "Asia Yearbook 1995," *Far East Economic Review* (January 1, 1995), 22.

<sup>172</sup> Peter Lewis Young, "The Potential for Conflict in the South China Sea," *Asian Defence Journal* (November, 1995), 22.

peripheries of the ocean economic zones."<sup>173</sup>

As discussed earlier, China cannot afford to appear the aggressor without ASEAN weaving itself into a united anti-Chinese front. Based on its tactical inferiority in an area only 200 miles from the Vietnamese coast and 650 miles from the nearest major air and naval bases in China, the PLA will also be wary of overreaching itself. China probably would use every tool in its diplomatic kit to discourage Vietnam from unilaterally exploiting rich deposits of petroleum.

Suffice it to say, over the near term the contested area near the Crestone and Conoco blocks poses the greatest likelihood for miscalculation and conflict.

## **2. Viability of Joint Development Solutions**

Some analysts have concluded that if China were serious about tapping the abundant resources of the South China Sea, intuitively its best option would be to settle the dispute and split the profits that would flow most profusely from joint development in a peaceful environment.<sup>174</sup> This path is obstructed by several major factors, not the least of which is China's cultural, social, political and economic paradigm of self-reliance.

Deeply embedded in the Chinese psyche is the notion that a patron-client hierarchy exists in all matters and that dependency connotes subordination. As you recall, the era of exploitation by the west that transformed China into a veritable vassal state of foreign powers in the last century

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<sup>173</sup> Liu Fuyuan, "Liu Huaqing--from Navy Commander-in-Chief to Deputy Secretary General of the Central Military Commission," *Guangjiaojing* (December 1987), 59.

<sup>174</sup> In "Global 1991 Wargaming Analysis of Conflict Over the Spratly Islands in the Late 1990s," Schrader asserts that negotiated sharing of resources with foreign capital and technology to accelerate development is the rational choice for China and Vietnam.

was intensely humiliating. Evidence that these memories still wound China's self-esteem and national identity is present in contemporary official statements. Just a few years ago the *People's Daily* reminded "For a country to shake off foreign enslavement and become independent and self-reliant is the premise for its development."<sup>175</sup> This resoluteness resonates through China's foreign policy and its economic decisions, where autonomy and autarky are idealized virtues.

Of course, in the interests of providing for the welfare of its citizens China has been forced to make pragmatic choices that compromise its goal of self-sufficiency. China needs access to western technology and expertise to modernize and has opened trade doors accordingly. Beijing has set limits on these endeavors, however. In an attempt to circumscribe the foreign role in its economy China has undertaken steps to protect its "pillar industries," one of which is the energy sector. Beijing's anxiety has manifested itself in its hesitancy to approve dozens of major refinery and power-generating projects.<sup>176</sup> Companies most likely to be contracted are those which have found niche markets where China possesses virtual no overlapping or compensating abilities, such as western petroleum companies performing offshore drilling and production. China's overriding thirst for oil plays into China's willingness to entertain these foreign companies, but as compelling to China's leaders is the fact that petroleum companies have a relatively small footprint (they operate either in offshore or remote mainland areas where employee movements are restricted). Great divisions still exist within the Chinese bureaucracy over

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<sup>175</sup> "Only Socialism Can Save China," *People's Daily*, July 22, 1989, 1.

<sup>176</sup> Chanda, 25.

just how far and how fast foreigners should be allowed to economically penetrate the "motherland."

In short, Beijing's stress on Chinese self-reliance, and perhaps even the image of it, militates against any joint development scheme sponsored by parties interested in politically resolving the South China Sea quandary. From China's standpoint, "joint development" means China dictating terms with a single partner. Beijing prefers to negotiate with state entities and individual companies on a bilateral basis, where its hand is stronger and leverage greater. Beijing finds political solutions calling for an equitable division of resources unappealing not only because it may require Beijing to relinquish sovereign ground, but because it forfeits some measure of Chinese economic independence.

It would be fitting at this point to mention that one of the most powerful arguments against further Chinese expansion in the South China Sea is that it may lead to China's global ostracization. This line of reasoning asserts that China risks casting itself into a kind of international purgatory if it oversteps its bounds one too many times. Ironically, many Chinese think that precisely because China may find itself internationally besieged in the future that it must become ever more self-reliant. In other words, China should endeavor to fully and unilaterally exploit all the resources available to it as a failsafe against the possibility of future estrangement from the world community.<sup>177</sup>

#### **D. DOMESTIC TRENDS**

Above all other conditions, the determinant that holds the greatest causal value of Chinese aggressiveness in the South China Sea is the political climate in Beijing. This

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<sup>177</sup> John Garver discussed this viewpoint in "China's Push Through the South China Seas," 1027.

variable is also the most difficult to soothsay, though many China analysts have attempted to warn policymakers of the likely scenarios that may transpire in the post-Deng years. Assuming the role of political oddsmaker, for instance, Richard Baum considers as many as ten scenarios in a projected timeframe of only three to five years. He admits in his conclusion that:

China's post-Deng political transition is likely to be a long-term "work in progress," a complex kaleidoscope of forces whose forms and patterns may change over time. We should thus be prepared for a range of emergent combinations, phases and dynamic permutations.<sup>178</sup>

Though most monographs are equally equivocal, some can be remarkably pessimistic. A study sponsored by the Under Secretary of Defense in 1994 concluded there was a fifty percent chance the post-Deng succession would lead to a Soviet-style meltdown of China.<sup>179</sup> The most plausible net assessments acknowledge the problem of calculating China's trajectory, but argue in favor of basic continuity wherein China evolves through incremental rather than revolutionary change.<sup>180</sup>

The real difficulty in predicting China's future is that competing factions in Beijing cannot come to a consensus on

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<sup>178</sup> Richard Baum, "China After Deng: Ten Scenarios in Search of Reality," *China Quarterly*, No. 145 (March 1996), 175.

<sup>179</sup> Director, Net Assessment, "China in the Near Term," Study for Under Secretary of Defense for Policy (Newport, Rhode Island, August 10, 1994).

<sup>180</sup> See Thomas Fingar, "China in 2010: Current Futures and Alternative Pathways," prepared for Conference on "China and World Affairs in 2010," Stanford University (April 26-27, 1996). In this essay, Mr. Fingar cites a Chinese source who uses the imagery of a heavy aircraft carrier trying to change course against its momentum to explain why one should not expect rapid political change in China.

how to deal with China's inherently contradictory policy goals. One goal has been to achieve national prosperity through investment and trade with the rest of the world, while simultaneously protecting the viability of the current regime which may be threatened by foreign influences. The other policy goal is the nationalist-centered pursuit of Chinese reunification. The first objective encourages a stable regional environment while the second undermines it.<sup>181</sup>

Although all the signs indicate China is becoming more dependent on its commercial ties with the international capitalist community, leading to a level of integration from which China could not and would not want to extricate itself, no Chinese leader can jettison the country's irredentist policies without striking a blow to Chinese pride and thereby risking political death. If a Chinese leader does not respond to a perceived threat to Chinese sovereignty or long term economic interests in the South China Sea, he will rapidly lose the support of the people, or "mandate of Heaven."

This underlying and fixed duality in China's strategic goals suggests that regardless of likely political reconfigurations in the future, Chinese leaders will continue to try to balance the requirements of economic prosperity and territorial integrity. Even moderates atop the state or party structure in Beijing probably would countenance the use of force to safeguard the sanctity of China's territorial possessions.

The right question to ask, then, is not whether future Chinese leaders will defend Chinese claims in the Spratlys, but what character its advances would take. Will they be offensive or defensive? Our study of domestic variables

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<sup>181</sup> Sheldon W. Simon, "Alternative Visions of Security in Northeast Asia," paper prepared for the SEAS Northeast Asia Symposium, Tokyo (May 1996), 10-11.

permits some room to speculate. If China's senior decisionmaking bodies are populated with conservatives and nationalists, for example, the likelihood China may pursue a dedicated plan to probe or recover additional territories in the South China Sea is high. Alternatively, a leadership dominated by moderates and technocrats probably will indefinitely postpone reunification goals for the sake of improved international ties. In this political climate, China would become selectively aggressive when rival claimants threaten its core interests. In both cases, the methods of PLA involvement probably will conform to patterns highlighted in previous sections.

Conjectures that trespass too much further into China's future are of limited value.

## **E. U.S. POLICY CONSIDERATIONS**

### **1. American Security Interests**

In making the point that the U.S. should be concerned with potentially aggressive and destabilizing activities in any maritime regime in the world, one cannot avoid tautologizing. American security interests have long focused on assuring freedom of navigation (FON) through sea lines of communication (SLOC) in order to facilitate trade and guarantee the right of military transit during times of crisis. It is in America's national interest to thwart any waterspace poachers that threaten free and innocent passage on the high seas. As a self-styled honest broker and guarantor of regional stability, the U.S. is also expected to be involved at some level in discouraging the hawkish tendencies of nations seeking solutions to international problems through the use of force. The willingness and ability of the U.S. to dampen the matches that threaten to spark conflict over territorial disputes in the South China

Sea directly affects the credibility of America's commitment to its allies and friends in Southeast Asia. What is more, because U.S. oil companies are actively involved in seeking and executing exploration contracts in this region, the U.S. must also be prepared to respond to violence against them. America has a substantial stake in closely monitoring developments in the South China Sea.

## **2. Policy Recommendations**

While the U.S. should continue to support regional initiatives designed to resolve disputes through peaceful methods, the U.S. should be extremely wary of taking too active a role in mediating the polemic. U.S. attempts at arbitration may be interpreted by China as another manifestation of America's attempt to deny China its status as a regional power on the rise. Both American officials participating in ARF discussions and private citizens working at the track II level should dedicate themselves to maintaining a low profile to reduce the impression the U.S. is acting as puppet master or somehow manipulating ASEAN into implementing a containment policy against Beijing. If the U.S. appears to be dictating policy it will play into the hands of hard-line conservatives in Beijing.

For these same reasons, the U.S. should indefinitely shelve discussions with Vietnam over the possible use of Cam Ranh Bay by the U.S. Navy (USN). Even though USN access to Hong Kong may be lost or truncated after July 1997, dramatically impacting traditional USN port visit patterns and operational tempo,<sup>182</sup> the warming of the Philippines to limited usage by Seventh Fleet units of Subic Bay suggests the Pacific Fleet will not be desperate for ports of call in

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<sup>182</sup> U.S. Navy ships currently pull into Hong Kong an average of 90 to 120 days per year.

the South China Sea. Premature discussions with Vietnamese officials, who are themselves divided over the issue, would only feed China's fears of encirclement and add to PLAN justifications for an increased presence in that area. It also risks casting the U.S. as a tacit defender of Vietnamese territorial claims.

The U.S. should also maintain a high degree of circumspection over arms sales to Southeast Asia. The transfer of high-tech aircraft and missiles may temporarily allow some countries like the Philippines or Malaysia to correct a military imbalance vis-a-vis China, but proliferation of conventional weapons platforms on, over and under the South China Sea may be a destabilizing development. Large numbers of ships and aircraft in close proximity to one another will add friction to the disputes and increase the chances for miscalculation. Furthermore, the relative remoteness of the Spratlys suggests any nation could produce plausible cover for "defensive" actions. As we have seen, China is very proficient in conducting low level aggression (i.e., reef hopping) and covering it with a veneer of legitimacy.

A better alternative to pouring large amounts of weapons into Southeast Asia is selling non-lethal technologies that may possess as much, if not more, deterrent value to China than jets or missiles. For example, transfer of surveillance systems such as remotely piloted vehicles (RPV) or other intelligence gathering systems would be a cost-effective way to monitor large swaths of the Spratlys. RPVs are ideal platforms to fly and be controlled from any number of islands in the Spratlys. Regular flights of RPVs could replace more expensive manned reconnaissance missions and give interested ASEAN nations sharper eyes and more sensitive ears to identify Chinese advances as they occur. If Mischief Reef showed anything, it was that China has an acute sense of

agoraphobia. If the PLAN can be caught (i.e., photographed) in the act of occupying additional uninhabited reefs, ASEAN could foil China's attempts to present the region with a *fait accompli*. Mobilizing the world press and focusing the limelight on Chinese "expansionism" as it occurs has proven to strongly influence Chinese behavior. An additional benefit of RPVs is their utility in general surveillance and tracking of transgressors (smugglers, drug-runners, pirates, etc.) operating within ASEAN EEZs. What is more, the non-military use of these systems would allow U.S. companies to deflect accusations they are siding with ASEAN over China on the claim issue. Finally, by giving, say, the Philippines or Malaysia an autonomous ability to perform reconnaissance, pressure on the U.S. to share satellite-derived data will be somewhat relieved.<sup>183</sup> Intelligence systems configured to rapidly identify untoward movement in the Spratlys would be a force equalizer giving China greater reason for pause.

While the U.S. "takes no position on the legal merits of the competing claims to sovereignty,"<sup>184</sup> the U.S. could play a more conspicuous role in energetically negating claims in the South China Sea that impinge on freedom of navigation. "Active neutrality" may be a suitable American strategy in fora designed to resolve existing territorial disputes, but the U.S. must find more ways to apply steady pressure on China to clarify its claims. While China says that it does not claim all the water within its yellow line, it has consistently asserted sovereignty over a nebulous "adjacent waters" zone. Though China probably will not be forthcoming

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<sup>183</sup> After the Mischief Reef incident, some Philipinos falsely accused the U.S. of withholding overhead-derived information of China's occupation.

<sup>184</sup> Extract from U.S. Department of State policy on the Spratlys and the South China Sea, May 10, 1995.

in specifying its claims out of fear of international and domestic condemnation,<sup>185</sup> the U.S. must make it clear to China that it will publicly challenge China's arbitrary claims to large swaths of the South China Sea itself. By laying this moral groundwork, the U.S. will position itself for maximum diplomatic maneuvering room should China decide to impose illegal exclusion zones around its reefs or drilling rigs in the South China Sea.

Perhaps using the pretext of forestalling a Sino-Vietnamese collision in the Crestone/Conoco concession blocks, a situation that would have adverse consequences for both American oil workers and freedom of navigation, the U.S. can accelerate the process of scheduling bilateral Law of the Sea discussions with Hanoi and Beijing. An American initiative would not be inappropriate in this context and it would isolate the dispute from ASEAN fora, where Chinese representatives have been reluctant to open up. The U.S. should use its weight to hammer out something useful from these discussions. A maritime agreement, for example, tailored to naval and overwater air operations would go some distance in reducing the likelihood of miscalculation among regional navies.

Finally and most difficult, the U.S. needs to retool its "comprehensive engagement" strategy with China. Until the President establishes priorities and improves coordination between the Departments of State, Defense, Commerce and the Office of the U.S. Trade Representative, China will continue to be frustrated by fissiparous American policies. In the future, absent a charismatic Deng Xiaoping to maintain cooperative relationships with outside powers, Sino-American

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<sup>185</sup> China's real ambitions undoubtedly exceed what is allowable under UNCLOS. And, again, no leader in Beijing possesses the political will to circumscribe China's territorial claims without short-circuiting his career.

relations may be subject to subversion by hard-liners in Beijing who perceive the U.S. as unpredictable and basically inimical to China. The President needs to expend the political capital to reduce the emotionalism that surrounds U.S. policies toward China, and build public and congressional support for a truly comprehensive strategy that emphasizes the long term benefits of integrating China into the international arena. Then this strategy needs to be consistently, intelligently and diplomatically applied.<sup>186</sup>

If the U.S. can get its house in order, it will place American statesmen, trade officials, entrepreneurs, soldiers and sailors in a much improved position to pursue policies that can reduce the likelihood China will resort to force in the South China Sea. Firstly, an improved atmosphere in Sino-American relations based on mutual trust and understanding will undercut the ability of conservative nationalists to push their agenda in Beijing. Secondly, the U.S. will enjoy more opportunities to strengthen diplomatic and military to military ties aimed at enhancing dialogue on security issues. Improved transparency will serve the mutual self-interest of the Chinese and U.S. services and dissipate the clouds of ambiguity that currently cloak China's intentions on the region. Greater openness will further reduce the uncertainty that is driving ASEAN's swelling arms purchases. As long as the U.S. keeps China talking, it will move ever closer to creating "overlapping plates of armor"<sup>187</sup> protecting regional security in Southeast Asia.

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<sup>186</sup> Kenneth Lieberthal, "A New China Strategy," *Foreign Affairs* (December 1995).

<sup>187</sup> Phrase used by President Clinton during a July 1993 speech in Seoul. Department of Defense, "United States Security Strategy for the East Asia-Pacific Region," Office of International Security Affairs (February 1995), 14.



## IX. CONCLUSION

This work has identified through pattern analysis of several case studies spanning twenty-two years the military, political, economic and domestic conditions under which China attempted to expand its presence in the South China Sea. We have learned that China is engaged in a long-term Go-like game with extremely high stakes. The origins of China's determination to uphold territorial claims along its southern periphery lie in recent history. Annealed by repeated imperialist invasions, China is convinced that it must hold its ground or risk besmirching its heritage by allowing lesser nations to hive off sections of the "sacred motherland." Any Chinese leader who permits further division of the "empire" will be branded disloyal for he will have jeopardized China's aspirations of achieving great power status.

This thesis examined various motivations behind China's adventurism to the south, but ranked highest as the primary determinant of China's physical advances in the region is Beijing's economic imperative and perceived encroachments by contending parties to the hidden wealth of the South China Sea. While sovereignty and domestic political circumstances form the backdrop of China's interest in the Spratlys, current trends indicate China takes action when economic threats break a threshold of tolerance. As innocuous as they appear, the offshore joint development schemes of Vietnam, Malaysia and the Philippines probably sparked China's declaration of the Sea Law in 1992 and its occupation of Mischief Reef. In an era of resource scarcity, these events, more than any other, serve to heighten China's sense of territorial and economic vulnerability. China was prompted to act because it would have otherwise appeared to be

sleeping on its rights.

By all accounts, oil has sweetened the offshore resources pot. Based on current predictions of China's energy requirements, China's incentive to remain unswerving in its ambitions to control most of the South China Sea is exceedingly great. In 1994, China consumed five barrels of oil per capita; conservative estimates of China's growth indicate demands will rise to ten barrels of oil per capita within a decade.<sup>188</sup> While China is attempting to make better use of its onshore fields, technology trends (for instance, mobile rigs capable of exploring and producing oil in ever deeper waters) suggest the seabed will only become a more valued and accessible prize. Some analysts estimate by the year 2000 forty percent of China's gross crude oil yield will be produced from the sea.<sup>189</sup> Moreover, the Chinese think the Spratlys area is likely to become the second Persian Gulf. China has to play for keeps, or it must become inexorably dependent on foreign energy suppliers, and perhaps again be subject to foreigners' manipulations.

In truth, to the Chinese it is not just a question of oil, or gas, or minerals, or fish, but of all these and other now unknown resources destined to be exploited by future generations. China's actions must be viewed along this extended time continuum, for China's leaders surely operate under the assumption that today's decisions have a direct bearing on their nation's long term interests.<sup>190</sup> Inscribed on the reefs in the Spratlys is the bold pledge:

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<sup>188</sup> Martin Walker, "China and the New Era of Resource Scarcity," *World Policy Journal*, Vol. 13, No. 1 (Spring 1996), 9.

<sup>189</sup> You Ji, 16.

<sup>190</sup> The viewpoint that China's long term economic goals require it to control any territories which may hold future but as yet unknown prospects is best explained by Garver on pg. 1020.

While we do pioneering work in the [Spratlys] today, we will contribute to the state for centuries. We will lose our lives to defend the reefs and protect our national flag.<sup>191</sup>

China realizes the present and future payoffs of owning and exploiting the rich marine resources in the south, and it has thus thrown over a heavy anchor in preparation of riding out any storms that threaten to wash China back ashore. Though China could profit by compromising on the issue of sovereignty and dividing the spoils, cultural and political injunctions prevents China's from choosing anything other than unilateral or strict bilateral routes to achieve its objectives in the region.

Strong domestic pressures ensure China's grip on the South China Sea issue will not soon loosen. Undergirded by elements in Chinese society that have successfully interwoven group interests with national goals, a socially disunited yet powerful majority envisions Chinese hegemony over great portions of the South China Sea. Within this disparate camp, the PLA exerts ever growing leverage on decisionmakers at the center. The PLAN views expansion in the South China Sea as its bureaucratic polestar and has a vested interest in the perpetuation of tensions between China and rival claimants. The importance the PLA places on the Spratlys is best symbolized by its billeting of senior commanders on Fiery Cross Reef.

In addition to identifying the circumstances around which China advanced its claims, a major objective of this paper was to study the nature of China's "aggression" in the South China Sea. What may be useful for strategic and tactical planners is the discovery that PLA actions were consistent with traditional Chinese military style.

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<sup>191</sup> "I Love You, Nansha."

Eschewing risks outside its arc of sustainable defense, where an enemy potentially could bring its tactical strengths to bear against China's weaknesses, PLA activity has been notably low-key, conservative and cautious. Facing uncertain odds and sensitive to political repercussions that would result from overaggressive actions in the Spratlys, the PLA has attempted to maintain a low profile by occupying uninhabited reefs and avoiding the ASEAN's military centers of gravity on their island holdings. Contrary to press reporting, China has never "ousted" Vietnamese or Philippine forces from the Spratlys. To mask its long term intentions the Chinese have carefully camouflaged their actions by employing cover and deception where feasible.

In view of the growing strength of Southeast Asia's naval and air forces, and the relatively slow pace of China's military modernization, for the foreseeable future the PLA's arc of sustainable defense will remain relatively static. China must continue to honor its longstanding fear of imperial overstretch and avoid umbrageous initiatives that will unnecessarily provoke a Mischief Reef-type response from ASEAN. Future Chinese probings, therefore, probably will bear some resemblance to the PLA's comportment in 1988, 1992 and 1995. Even in the event China is forced to react to direct military threats, say, off Vietnam's coast, it will be in China's best interests to contain the conflict and end it quickly. Most Chinese commanders probably realize their best opportunities lay in the future and are willing to throttle their ambitions until the PLA possesses overpowering advantages. These commanders will heed Confucious' advice:

Do not be impatient. Do not see only petty gains.  
If you are impatient, you will not reach your goal.  
If you see only petty gains, the great tasks will

not be accomplished.<sup>192</sup>

In light of China's adamant behavior in establishing dominion over the territory and spoils of the South China Sea, is there any hope that the world can somehow cauterize China's irredentist effort, prevent the PLA from unsheathing its sword, or somehow defuse the tensions flowing from the dispute? The ultimate answer returns to the type of leadership faction that prevails in Beijing. One can expect that the inherent dichotomy of China's strategic goals--to engage the global community for modernization's sake and reunify the nation at the price of alienating the global community--will continue to cause ambivalence among senior decisionmakers of any stripe in Beijing. In the near term, as China struggles to cope with the passing of charismatic elders, the younger generation of leaders in the Politburo is unlikely to possess the broad support and political will necessary to deselect territorial priorities. That military action may be countenanced in the future to advance China's long term interests is best suggested by the fact that it has been. Still, as this thesis showed, political leaders and military planners outside China concerned about spillover and the freedom of the seas can be somewhat reassured that Beijing also has compelling interests in avoiding and containing violence in the South China Sea, at least in the near term.

In the long run, and despite the nation's size, complexity and willfulness, there is much hope China

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<sup>192</sup> Confucius, *The Analects*, trans. D.C. Lau (London, Penguin Books, 1979), Book XIII: 17. Deng Xiaoping's secret 24-character prescription for dealing with contentious issues echoes these sentiments: "Observe calmly; secure our position; cope with affairs calmly; hide our capacities and bide our time; be good at maintaining a low profile; and never claim leadership." Hong Kong *Jing bao*, No. 172, November 5, 1991, FBIS, November 6, 1991, 28-30.

gradually will become a responsible world actor respecting the security concerns of others. The manner in which China evolves, however, greatly depends on the willingness of outsiders to understand and accommodate China's growing sense of importance in world affairs. How the United States engages a China "standing up" can influence the political temperature in Beijing. Whether a future regime in China stuffs powder down its barrels at every turn or allows the international community to slowly untie the Gordian knot will depend on how China is embraced. Interacting with Beijing on a basis of patience, empathy, dialogue, and firm but fair diplomacy will go far in ensuring extremists are stiff-armed from positions of authority in China. While Chinese interests will not always allow it to harmonize with its neighbors, a healthy relationship will ultimately facilitate peaceful solutions to quagmire and seemingly intractable regional problems. In the present environment of virtual antagonism, however, Beijing appears to be content to lay low and pay lip service to peacemakers, because it buys time for the winds of change to throw open future windows of opportunity.

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